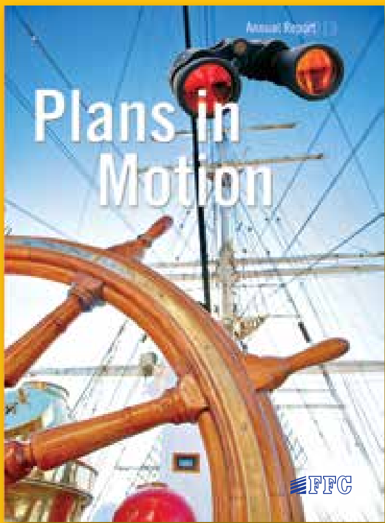
Striking a Balance



The Cover Concept

Gliding across the magnanimous ocean, we find ourselves perched on the edge of our seats; steering purposefully away from the harbour, ready to ride the tumultuous waves as they come.

At FFC, we believe in hoisting our sails and moving forward – towards the uncharted sea of possibilities. The quest for greater good is what drives us ahead, inviting us to explore the diverse fields of agriculture, frozen food, financial services and renewable energy.

Our cover this year relates to our unending tenacity: we've tested the strength of our anchors and our plans are set in motion for a bigger and brighter tomorrow.

Fauji Fertilizer Company Limited

The Way So Far

2013	Acquisition of 100% equity stake in Al-Hamd Foods Limited, a pioneer Individually Quick Frozen fruits and vegetables project
	Acquisition of 43.15% equity stake in AKBL representing the Company's first ever venture into financial sector
	Commencement of Commercial Operations by FFC Energy Limited
2012	Inauguration of FFC Energy Limited
	Inauguration of new state of the art HO Building in Rawalpindi
2011	SAP-ERP implemented in the Company, improving business processes by reducing time lags and duplication of work.
2010	Investment in FFC Energy Limited, Pakistan's first wind power electricity generation project
2008	DBN of Plant III was executed and commissioned successfully for enhancement of capacity to 125% of design i.e. 718 thousand tonnes annually.
	Investment of Rs 1.5 billion in Fauji Cement Company Limited, currently representing 6.79% equity participation
2004	With investment in Pakistan Maroc Phosphore, Morocco S.A. of Rs 706 million, FFC has equity participation of 12.5% in PMP
2003	FFC obtained certification of Occupational Health & Safety Assessment Series, OHSAS-18001:1999
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
1997	With achievement of Quality Management System certification in Goth Machhi, FFC became the first fertilizer plant in Pakistan to achieve this distinction
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
	Commissioning of Plant II, Goth Machhi with annual capacity 635 thousand tonnes of Urea
1992	Listed with Islamabad Stock Exchange
	Through De-Bottle Necking (DBN) program, the production capacity of Plant I was increased to 695 thousand tonnes per year
1991	Listed with Karachi and Lahore Stock Exchange
1982	Commissioning of Plant I, Goth Macchi with annual capacity 570 thousand tonnes
1978	Incorporation of the Company

2013 in Numbers

Sona Urea production (tonnes '000)	2,408	*0.1%*
Sona Urea sales (tonnes '000)	2,409	*0.4%*
Return on Equity (%)	80.05	*-0.9%*
Gearing Ratio (%)	14.54	*1.5%*
Asset Turnover (Times)	1.10	*-11%*
Revenue (Rs Millions)	74,481	*0.2%*
Profit after Tax (Rs Millions)	20,135	*-4%*
Shareholders' Equity (Rs Millions)	25,151	*-2%*
Current Ratio (Times)	0.77	*-0.4%*
Market Capitalization (Rs Billions)	142.41	*-4%*
Basic EPS (Rs) - Pre Tax	23.12	*-5%*
Basic EPS (Rs) - Post Tax	15.83	*-4%*
Dividend Per Share (Rs)	15.35	*-1%*
Net Assets Per Share (Rs)	19.77	*-4.9%*
Retention (%)	3.01	*-2%*

Contents

Financial Statements FFC

Consolidated Financial Statements

2013 Highlights

GOP Increases
gas price
on feed stock
- Jan 7, 2013

Highest
ever quarterly sales revenue
- Qtr 1, 2013

Overall 1st
Position in KSE top 25 companies 2012

Plant-I maintenance
turnaround
completed
- March 12, 2013

158th BOD -
35% dividend
declared
- April 29, 2013

FFCEL
attains
commercial production
- May 16, 2013

Acquisition
of 43.15% stake in AKBL
- June 20, 2013

160th BOD -
37.5% dividend
declared
- July 29, 2013

207 houses constructed for
flood affected
families in Ghotki & RYK -
July 2013

1st Position
Chemical Sector ICAP/ ICMAP BCR Award
- Aug 22, 2013

2nd Position
Sustainability Report ICAP/ICMAP Award
- Aug 22, 2013

First ever dividend
received from **FCCL** -
Rs 117M
- Sep, 2013

Record
period sales
revenue Rs 52.5B
- 9 months Sep, 2013

Acquisition
of 100%
stake in AHFL
- Oct 3, 2013

161st BOD -
41% dividend
declared
- October 30, 2013

2.15 million
man-hours of "Safe Operations" achieved (Plant III)
- Nov 28, 2013

IMS
precertification audit conducted at FFC-HO
- Dec, 2013

SAP
ERP
upgraded to 6.0
- 2013

Vision & Mission Statements

To be a leading national enterprise with global aspirations, effectively pursuing multiple growth opportunities, maximizing returns to the stakeholders, remaining socially and ethically responsible.

Vision

To be a leading national enterprise with global aspirations, effectively pursuing multiple growth opportunities, maximizing returns to the stakeholders, remaining socially and ethically responsible.

Mission

To provide our customers with premium quality products in a safe, reliable, efficient and environmentally sound manner, deliver exceptional services and customer support, maximizing returns to the shareholders through core business and diversification, providing a dynamic and challenging environment for our employees.

Corporate Strategy

Maintaining our competitive position in the core business, we employ our brand name, unique organizational culture, professional excellence and financial strength diversifying in local and multinational environments through acquisitions and new projects thus achieving synergy towards value creation for our stakeholders.

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 endeavor to act according to the highest ethical standards and to be aware of and abide by applicable laws.
- We all must ensure that our personal conduct is above reproach and complies with the highest standards of conduct and business ethics and have the obligation to ensure that the conduct of those who work around us complies with these standards. The Company's Code of Business Ethics and Code of Conduct will be enforced at all levels fairly and without prejudice.
- This code to which the Company is committed in maintaining the highest standards of conduct and ethical 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.

Code of Conduct

- We shall conduct our employment activities with the highest principles of honesty, integrity, truthfulness and honour. To this end, we are to avoid not only impropriety, but also the appearance of impropriety.
- We shall not make, recommend, or cause to be taken any action, contract, agreement, investment, expenditure or transaction known or believed to be in violation of any law, regulation or corporate policy.
- We shall not use our respective positions in employment to force, induce, coerce, harass, intimidate, or in any manner influence any person, including subordinates, to provide any favor, gift or benefit, whether financial or otherwise, to ourselves or others.
- In business dealings with suppliers, contractors, consultants, customers and government entities, we shall not provide or offer to provide, any gratuity, favour or other benefit and all such activities shall be conducted strictly on an arm's length 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, maximizing returns to the shareholders and sizable contribution to the national exchequer.

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

- **Honesty** in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets.
- **Excellence** in 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 behaviour.

Corporate Objectives

Objective 1

Enhance agricultural productivity through balanced fertilizer application

Strategy

Educate farmers regarding fertilizer usage through Farm Advisory Centers (FAC)

Priority

High

Status

Ongoing Process – Plans for the year achieved

Opportunities / Threats

Per acre production in Pakistan is lower than recorded in developed parts of the world providing room for improvement. However, lack of farmer education and willingness to adopt modern farming practices is a threat in achieving this objective.

Objective 2

Maintain Industry Leadership

Strategy

Stay abreast of technological advancements and continuously upgrade production facilities to maximize efficiency

Priority

High

Status

Ongoing Process – Targets for the year achieved

Opportunities / Threats

With the passage of time, upgradation and maintenance may result in high costs both directly and in terms of production downtime.

Objective 3

Expand Sales

Strategy

Sales expansion through geographical diversification and improved farmer awareness

Priority

High

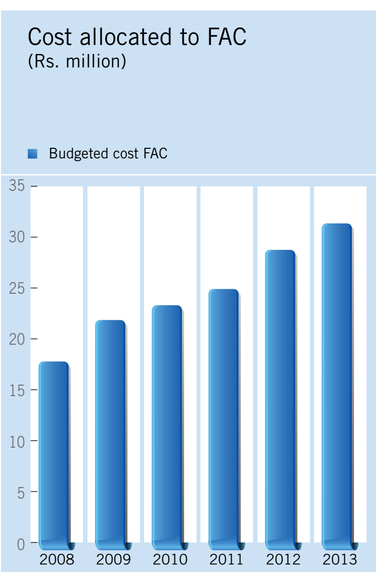
Status

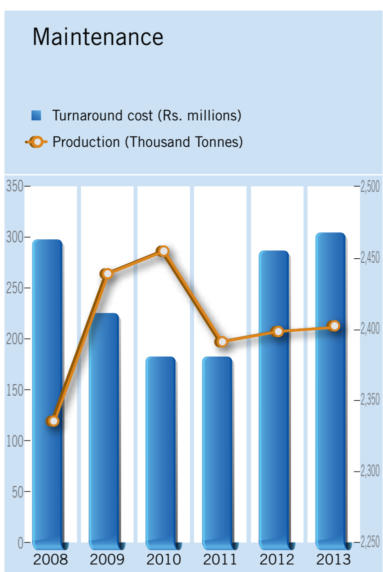
Annual targets achieved

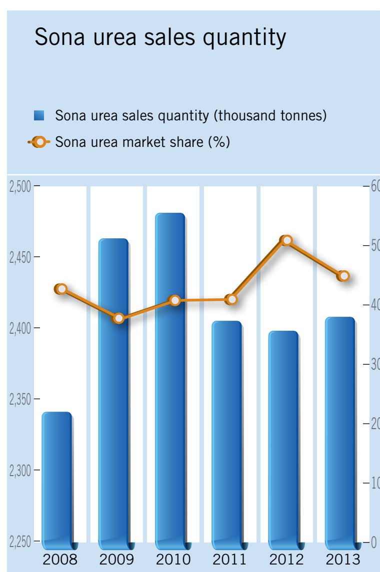
Opportunities / Threats

There are still untapped opportunities to expand our distribution network within and outside the Country.

The prevailing shortage of gas is however a cause for concern and would impede progress in the long run if not addressed by the Government. Additionally, in case international prices fall below the rising domestic price (impact of gas curtailment and imposition of GIDC), increased imports would hamper growth.







Objective 4

Create / enter new lines of business to augment profitability and achieve sustained economic growth

Strategy

Continuously seek avenues to diversify within and outside the Fertilizer Industry

Priority

High

Status

An evolving process – Plans for 2013 achieved

Opportunities / Threats

Diversifying into a new line of business is a high cost decision both on account of initial capital outlay and increased management expertise required.

FFC, however, through its firm financial standing and experienced management pool is in the right position to invest and diversify.

Objective 5

Maintain operational efficiency to achieve synergies

Strategy

Synchronize our business processes, reducing time and money losses

Priority

High

Status

Ongoing process – Targets for the year achieved

Opportunities / Threats

There is always room for improvement in efficiency. With focused management strategies, operational efficiencies can be enhanced.

Objective 6

Economize on costs by eliminating redundancies

Strategy

Keeping our resource utilization at an optimum level through strict governance policies

Priority

High

Status

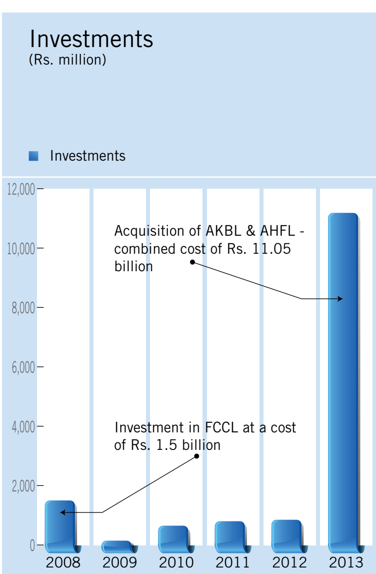
Current year targets achieved

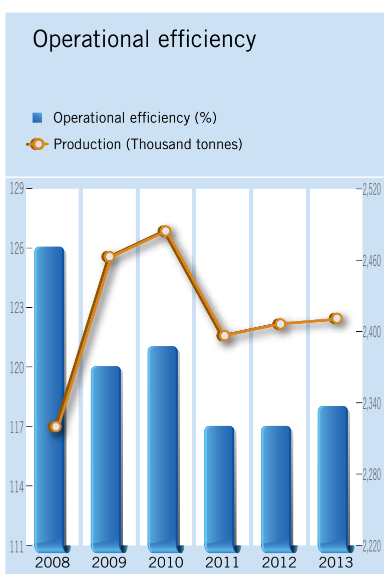
Opportunities / Threats

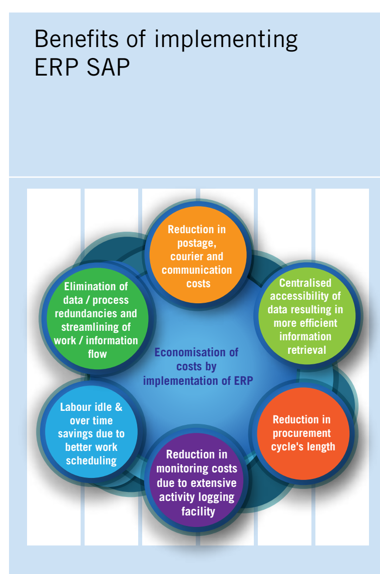
The time for flow of information can be reduced through reorganizing business processes in line with our newly implemented SAP-ERP system.

Significant changes in Objectives & Strategies

FFC's business objectives and strategies have evolved to place more emphasis on diversification and business growth, in addition to sustenance of core competencies.







Key Performance Indicators & Critical Performance Measures

In order to measure the Company's performance against the stated objectives, our management regularly monitors certain Key Performance Indicators (KPIs)

Key Performance Indicators

<table>
<tr><th>No</th><th>Objective</th><th>KPI's Monitored</th><th>Future Relevance</th></tr>
<tr><td>1</td><td>Enhance agricultural productivity through balanced fertilizer application</td><td>Funds allocation to Farm Advisory Centers</td><td>The management believes in enhancement of Pakistan's per acre production. The impact of FFC initiatives is analyzed on annual basis</td></tr>
<tr><td>2</td><td>Maintain industry leadership, operational efficiency & expand sales</td><td>Market share and production efficiency ratio</td><td rowspan="5">The KPI's shall remain relevant in the future</td></tr>
<tr><td>3</td><td>Diversification</td><td>Annual resource allocated for expansion of the projects already acquired in addition to identification of new investment projects.</td></tr>
<tr><td>4</td><td>Economize on costs – eliminating redundancies</td><td>Gross Profit Margin & Net Profit Margin</td></tr>
<tr><td>5</td><td>Shareholder value</td><td>EPS, ROE, Asset Turnover and DPS</td></tr>
<tr><td>6</td><td>Sustainability</td><td>Current Ratio, Gearing and Interest Cover</td></tr>
</table>

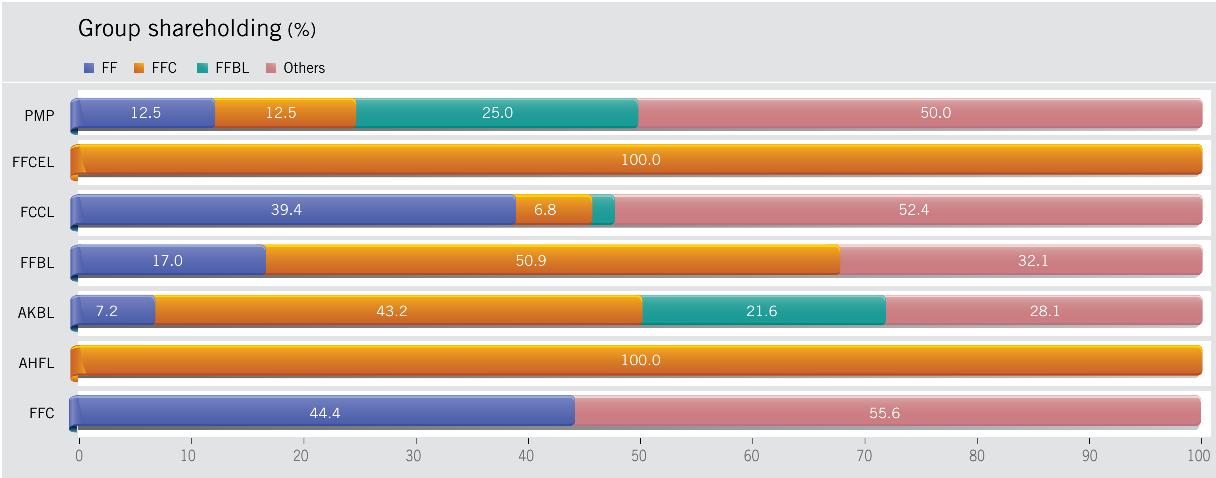
Overview of Group Companies

Fauji Fertilizer Bin Qasim Limited (FFBL)

FFBL was incorporated as FFC-Jordan Fertilizer Company Limited in 1993 and subsequent to restructuring in 2003 was renamed as Fauji Fertilizer Bin Qasim Limited. FFBL is a public limited company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges.

FFBL has a modern Granular Urea and Di-Ammonium Phosphate (DAP) fertilizer manufacturing complex located in Bin Qasim, Karachi. Principal objective of the Company is manufacturing, purchasing and marketing of fertilizers with a current design capacity of 551 thousand tonnes of Urea and 650 thousand tonnes of DAP per annum.

FFBL is the sole producer of DAP in Pakistan.



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

PMP is a joint venture between FFC (shareholding of 12.5%), Fauji Foundation (12.5%), FFBL (25%) and the Moroccan state owned Officie Cherifien Des Phosphates (50%).

PMP was incorporated in Morocco in 2004 with the principal activity to manufacture and market Phosphoric acid, fertilizer and other related products in Morocco and internationally.

PMP has a production capacity of 375 thousand tonnes of industrial phosphoric acid, a substantial portion of which is supplied to FFBL (a subsidiary of FFC) as raw material for production of DAP fertilizer with any excess sold in the international market. FFC has investment of Rs. 706 million in PMP, being the Rupee equivalent of Moroccan Dirhams (MAD) 100 Million.

Fauji Cement Company Limited (FCCL)

FFC acquired a 12.63% (subsequently diluted to 6.79%) shareholding in FCCL in 2008 with an investment of Rs. 1.5 billion. FCCL is a public listed company incorporated in 1992 and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. Principal activity of the Company is manufacturing and sale of ordinary Portland cement. The Company's plant is located at Jhang Bahtar, District Attock with a current installed capacity of 3.43 million metric tons.

FFC Energy Limited (FFCEL)

FFCEL is an unlisted public limited company incorporated in 2009 and is presently a wholly owned subsidiary of FFC, which is subject to change to 75% holding by FFC and 25% holding by Fauji Foundation-FF subsequently. The Company has been incorporated for the purpose of implementing a project comprising establishment and operation of a 49.5 MW wind power generation facility and its onward supply to National Transmission & Dispatch Company (NTDC). The project achieved commercial production in May 2013, pioneering in supply of Wind Energy in the Country.

Askari Bank Limited (AKBL)

AKBL was incorporated in 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. AKBL is a scheduled commercial bank and is principally engaged in the business of banking with 281 branches including a Wholesale Bank Branch in the Kingdom of Bahrain. In June 2013, the consortium of Fauji group comprising FF, FFC and FFBL acquired 71.91% of AKBL at a cost of Rs. 14.22 billion with subsequent subscription to rights issue amounting to Rs 3.22 billion in order to provide financial leverage to the Bank and improve its capital structure.

FFC has a 43.15% stake in the Bank with a total investment of Rs. 10.46 billion (including cost of subscription to rights issue).

Al-Hamd Foods Limited (AHFL)

AHFL was incorporated as an unlisted public limited company and was acquired by FFC in October, 2013 as a platform to enter the Foods Business. AHFL is in the construction phase for setting up of production facilities for frozen fruit, vegetables and ready to eat meals using state of the art Individual Quick Freeze (IQF) technology while installation of Vapor Heat Treatment plant and Controlled Atmosphere Stores, is under evaluation.

FFC currently owns 100% equity stake in AHFL, 25% of which is subject to be taken over by FF post commencement of commercial operations.

Company Information

Board of Directors

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

Lt Gen Naeem Khalid Lodhi,
HI(M) (Retired)
Chief Executive and Managing Director

Mr Qaiser Javed
Dr Nadeem Inayat
Mr Jorgen Madsen
Brig Dr Gulfam Alam, SI(M) (Retired)
Engr Rukhsana Zuberi
Mr Farhad Shaikh Mohammad
Brig Parvez Sarwar Khan, SI(M) (Retired)
Mr Khizar Hayat Khan
Mr Manzoor Ahmed
Maj Gen Nasir Mahmood, HI(M) (Retired)
Mr Alamuddin Bullo

Chief Financial Officer

Syed Shahid Hussain
Tel: 92-51-8456101
Fax: 92-51-8459961
E-mail: shahid_hussain@ffc.com.pk

Company Secretary

Brig Sher Shah, SI(M) (Retired)
Tel: 92-51-8453101
Fax: 92-51-8459931
E-mail: secretary@ffc.com.pk

Registered Office

156 - The Mall, Rawalpindi Cantt
Website: www.ffc.com.pk
Tel: 92-51-111-332-111, 8450001
Fax: 92-51-8459925
E-mail: ffcrwp@ffc.com.pk

Plantsites

Goth Machhi, Sadikabad
(Distt: Rahim Yar Khan), Pakistan
Tel: 92-68-5786420-9
Fax: 92-68-5786401

Mirpur Mathelo
(Distt: Ghotki), Pakistan
Tel: 92-723-661500-09
Fax: 92-723-661462

Marketing Division

Lahore Trade Centre,
11 Shahrah-e-Aiwan-e-Tijarat,
Lahore, Pakistan
Tel: 92-42-36369137-40
Fax: 92-42-36366324

Karachi Office

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

Auditors

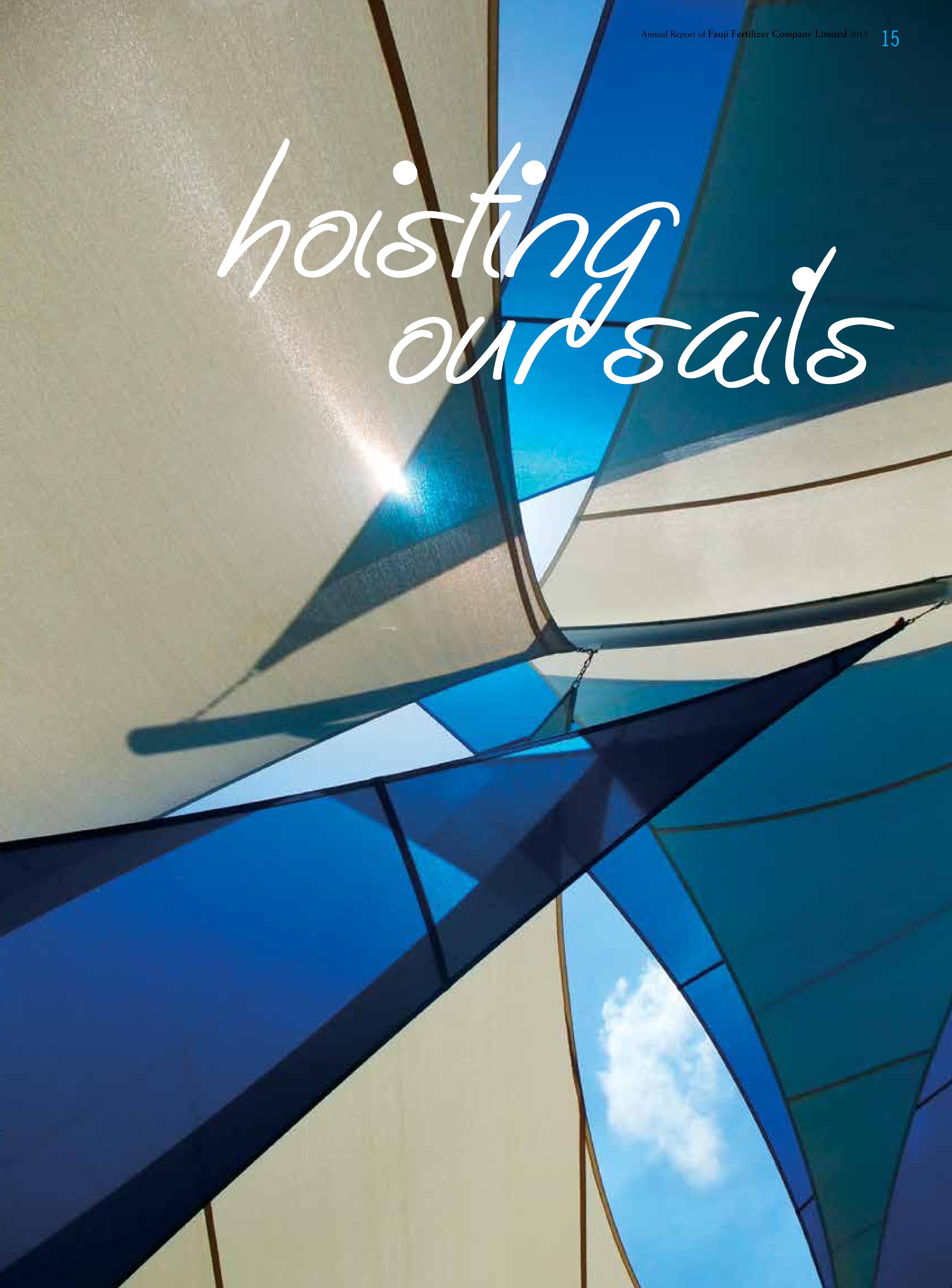
M/s A.F.Ferguson & Co.
Chartered Accountants
PIA Building, 3rd Floor
49, Blue Area, P.O.Box 3021
Islamabad, Pakistan
Tel: 92-2273457-60
Fax: 92-2277924, 2206473

Shares Registrar

THK Associates (Pvt) Limited
Ground Floor, State Life Building – 3
Dr. Ziauddin Ahmed Road
Karachi – 75530
Tel: 92-21-111-000-322
Fax: 92-21-35655595

Bankers

Al Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Barclays Bank PLC, Pakistan
Burj Bank Limited
Deutsche Bank AG
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
Meezan Bank Limited
Samba Bank Limited
Summit Bank 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


hoisting
our sails

Geographical Presence

LOCATION MAP

(FFC / FFCEL/AHFL INSTALLATIONS)

KEY

ZONE (03)

- NORTH ZONE
- CENTRAL ZONE
- SOUTH ZONE

SALES REGIONS (14)

- NORTH ZONE (05)
- CENTRAL ZONE (05)
- SOUTH ZONE (04)

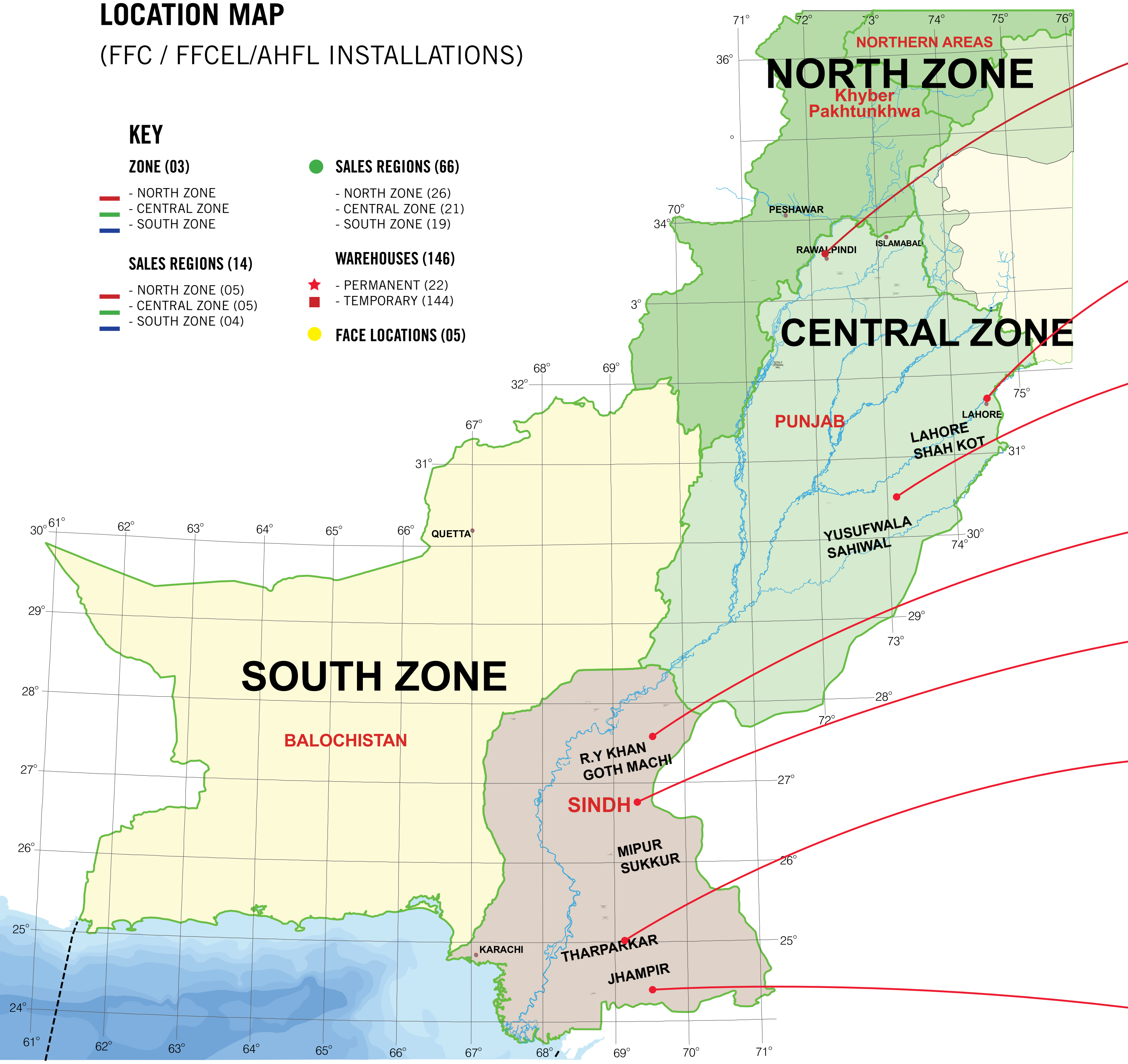
SALES REGIONS (66)

- NORTH ZONE (26)
- CENTRAL ZONE (21)
- SOUTH ZONE (19)

WAREHOUSES (146)

- PERMANENT (22)
- TEMPORARY (144)

FACE LOCATIONS (05)



FFC HEAD OFFICE

FFC MARKETING OFFICE

FFC AL-HAMD FOODS

FFC GOTH MACHI
UREA PLANT I & II

FFC MIRPUR MATHELO
UREA PLANT III

FFCEL WIND POWER PROJECT

FFBL DAP & UREA PLANT

Profile of the Board

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

Joined the Board on January 2, 2012.

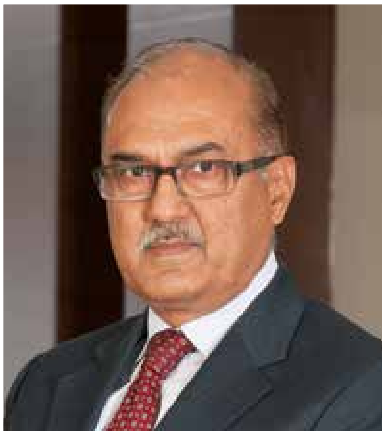
He is the Managing Director of Fauji Foundation and Fauji Oil Terminal & Distribution Company Limited and Chairman on the Boards of following:

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Mari Petroleum Company Limited
- Fauji Kabirwala Power Company Limited
- Foundation Power Company (Daharki) Limited
- Daharki Power Holding Company
- Fauji Akbar Portia Marine Terminals (Private) Limited
- Foundation Wind Energy I Limited
- Foundation Wind Energy II (Pvt.) Limited
- Askari Cement Ltd
- Askari Bank Limited
- FFC Energy Limited
- Fauji Meat Limited
- Fauji Foods Limited
- Al-Hamd Foods Limited

He was commissioned in Pakistan Army in April 1974. During his illustrious career 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 a Strike Corps / Commander Central Command.

He is a Graduate of Command and Staff College Quetta and 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 Masters Degrees in War Studies and International Relations. He recently attended "Finance for Executives" at INSEAD Paris and "Accelerated Development Programme" at University of Chicago Booth School of Business.

In recognition of his meritorious services, he has been conferred the award of Hilal-e-Imtiaz (Military). He brings along a vast and diversified experience in operational, administration, management, assessment and evaluation systems at various levels of command.



Lt Gen Naeem Khalid Lodhi,
HI(M) (Retired)
(Chief Executive & Managing Director)

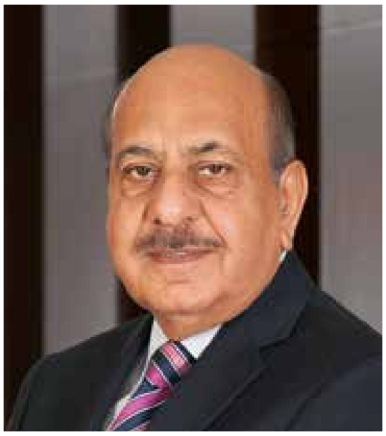
Joined the Board on March 26, 2012.

He is also Chief Executive & Managing Director of FFC Energy Limited and Al-Hamd Foods Limited and holds directorships on the Boards of following:

- Fauji Fertilizer Bin Qasim Limited
- Askari Bank Limited
- Fauji Foods Limited
- Fauji Meat Limited
- Pakistan Maroc Phosphore S.A.

He is Chairman of Sona Welfare Foundation (SWF), a member of the Board of Governors of Foundation University, Islamabad and Council of International Fertilizer Industry Association (IFA) France.

He was commissioned in Pakistan Army in 1974. During his long meritorious service in the Army, he had been employed on various prestigious command, staff and instructional assignments including Corps Commander. He is a graduate of Command and Staff College Quetta and Armed Forces War College (National Defence University) Islamabad. He holds Bachelors in Civil Engineering and Masters degrees in Defence Studies and International Relations. He attended Financial Management Programs at the Columbia University USA and the INSEAD School of Business, France and Executive Program at Pakistan Institute of Management. The General is considered expert in the field of strategy and has remained on faculty of National Defence University and NUST (Military College of Engineering). After his retirement from the Army, he remained Secretary of Defence, Pakistan as well. He is on advisory board of Army Green Book; a prestigious publication on defence and security.



Mr Qaiser Javed
(Director)

Joined the Board on October 15, 1999.

He is a Fellow Member of the Institute of Chartered Accountants of Pakistan and the Institute of Taxation Management of Pakistan.

He joined Fauji Foundation in 1976. He is currently working as Director Finance of Fauji Foundation and also holds the following major positions:

Foundation University - *Director Finance*
Dharaki Power Holdings Limited - *CEO*
Foundation Wind Energy – I Limited- *CEO*
Foundation Wind Energy – II (Pvt.) Limited- *CEO*
Fauji Fertilizer Company Limited - *Director*
Fauji Fertilizer Bin Qasim Limited - *Director*
Mari Petroleum Company Limited - *Director*
Fauji Cement Company Limited - *Director*
Fauji Kabirwala Power Company Ltd - *Director*
Fauji Oil Terminal and Distribution Company Limited - *Director*
Foundation Power Company Dharaki Ltd - *Director*
Fauji Akbar Portia Marine Terminal Ltd - *Director*
Fauji Fertilizer Company Energy Limited - *Director*
The Hub Power Company Limited - *Director*
Laraib Energy Limited - *Director*
Askari Bank Ltd - *Director*
Askari Cement Limited - *Director*
Al-Hamd Foods Limited - *Director*
Fauji Foods Limited - *Director*
Fauji Meat Limited - *Director*

He is a member of the Audit Committee and Project Diversification Committee.

Dr Nadeem Inayat
(Director)

Joined the Board on May 27, 2004.

He holds a Doctorate in Economics and has over 26 years of diversified domestic as well as international experience in the financial sector. He has vast experience in corporate governance, policy formulation and deployment, project appraisal, implementation, monitoring & evaluation, restructuring, and collaboration with donor agencies.

Besides being Director Investment Fauji Foundation he is on the Board of following entities:

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Co Limited
- Fauji Akbar Portia Marine Terminals (Pvt.) Limited
- Fauji Oil Terminal & Distribution Co Limited
- Mari Petroleum Company Limited
- Askari Bank Limited
- Askari Cement Limited
- Daharki Power Holding Limited
- Pakistan Maroc Phosphor S.A.
- Foundation Wind Energy I Limited
- Foundation Wind Energy II (Pvt.) Limited
- Al-Hamd Foods Limited
- Fauji Foods Limited
- Fauji Meat Limited

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

He is Chairman of Project Diversification Committee and member of the Audit, Human Resource & Remuneration and System & Technology Committees.

Mr Jorgen Madsen
(Director)

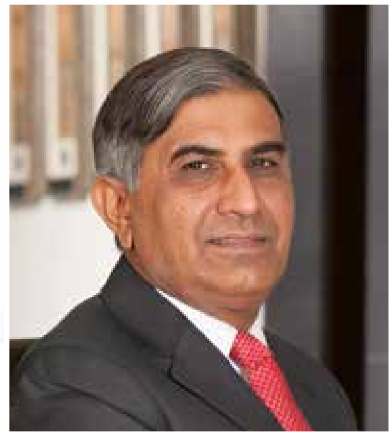
He joined the Board of Directors on September 16, 2009.

He has an engineering degree in chemical engineering from the Technical University of Denmark and has been employed with Haldor Topsoe A/S, Denmark since 1973. He has worked primarily with Topsoe Ammonia Technologies for more than 25 years, engaged in design and supervising, construction, commissioning and start-ups of ammonia plants. Besides Ammonia Technology he has a broad knowledge of all available technologies at Topsøe.

During his career he has been covering positions as Process Engineer, Project Manager and Manager of the Ammonia Process Engineering Department unitil 1995, when he took over as Manager of the Engineering Division and simultaneously became a Member of the Board of Haldor Topsoe's subsidiary in erstwhile Soviet Union, now Russia.

In 2006 he became General Manager Technology in the R&D Division and established the Technology Department with the main responsibility of transferring new pilot scale technologies to industrial scale technologies. Presently he is engaged in Chemicals R&D as General Manager and Technology Advisor.

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



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

Joined the Board on August 17, 2011.

He is the Director of Planning and Development at Fauji Foundation.

He also holds directorship of the following companies:

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Fauji Akbar Portia Marine Terminals (Pvt.) Limited
- Mari Petroleum Company Limited
- Daharki Power Holding Limited
- Foundation Wind Energy - I Limited
- Foundation Wind Energy - II (Pvt.) 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 Commander in Frontier Works Organization and Technical Member to Pakistan Commission for Indus Water. For his meritorious services in the Army, he was decorated with Sitara-e-Imtiaz (Military).

He was awarded a Doctorate in Civil Engineering (Structures) from University of Illinois at Urbana – Champaign (United States of America) and has more than 25 years of diversified domestic as well as international exposure in the construction field. His working experience can be broadly categorized into policy formulation, evaluation, planning / development, implementation / monitoring and collaboration with donor agencies.

As Director Planning & Development, he is heading the Planning & Development portfolio of Fauji Foundation. He is Chairman of System and Technology Committee and member of the Project Diversification Committee.

Profile of the Board

Engr Rukhsana Zuberi
(Director)

Joined the Board on September 16, 2012.

She is President TEC Education Foundation, associated with Microsoft, Pearson Vue, New Horizons and Certiport which are global training and testing organizations.

She enabled participation of Pakistani youth in Microsoft World Championship, California in 2014 offering great opportunities for Pakistani youth to showcase their IT skills on the World Forum.

She is Pakistan's first lady mechanical engineer and in addition to being the Chairperson of Pakistan Engineering Council, Pakistan Institute of Costs & Contracts, Women In Energy, she held various prestigious positions during her political and professional career including membership of Senate of Pakistan, Provincial Assembly Sindh, Karachi University Syndicate, Board of Governors of NUST, Engineering Development Board, President's Task Force on Alternate Energy Options for Pakistan and Finance House Committee of Senate etc.

Her major achievements during her illustrious career include the following:

- Initiated Skills Development and Vocational Training for women
- International recognition of Pakistan's Engineering Qualifications
- Initiated Pakistan's first on Grid solar power system
- Introduced and facilitated online testing and certification programs in Pakistan, enabling Country's youth to get international qualifications and career opportunities

She is Chairperson of the Audit Committee.

Mr Farhad Shaikh Mohammad
(Director)

Joined the Board on September 16, 2012.

He is an energetic, vibrant and prominent rising businessman. He is Chief Executive of Ihsan Raiwind Mills (Pvt.) Limited and holds directorship of:

- Din Textile Mills Limited
- Din Leather (Pvt.) Limited
- Din Farm Products (Pvt.) Limited

His other engagements include:

- Chairman of Young Entrepreneurs & Youth Affairs
- Vice Chairman of Law and Order of Korangi Association of Trade and Industry
- Justice of Peace of Karachi region, Government of Sindh
- Executive member of Burns Centre, Civil Hospital, Karachi

He did his graduation in Finance and Banking from American University in Dubai, followed by an executive development course on Corporate Financial Management from LUMS. He has participated in various courses relating to corporate governance, leadership and corporate finance management at Pakistan Institute of Corporate Governance (PICG). He is also a Certified Director by PICG / International Finance Corporation.

His major achievements during his educational and professional career are as follows:

- KASB securities awarded "Best Performance Certificate" in Equity & Research Department
- Fred Villari's Studios' "Self Defense Certificate of Achievement" in Canada
- Dean's List in American University in Dubai
- Awarded Gold Medal in recognition of outstanding work for humanity by Chairman Quaid-e-Azam Gold Award Committee

Brig Parvez Sarwar Khan,
SI(M) (Retired)
(Director)

Joined the Board on January 1, 2013.

He is Director (Industries) in Fauji Foundation.

He also holds directorship in following associated companies:

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Fauji Power Company Daharki Limited

He is graduate of Command & Staff College Quetta and National Defense University Islamabad, and holds a Masters in International Relations from Columbia University, USA. He has served on varied command and staff appointments and has been awarded Sitara-e-Imitiaz (Military) in recognition of his meritorious services.

He is a member of Human Resource & Remuneration and System & Technology Committees.

Mr Khizar Hayat Khan
(Director)

Joined the Board on April 9, 2013.

He holds directorship in the following companies,

- Technology Up-gradation and Skill Development Company (TUESDEC)
- Pakistan Stone Development Company (PASDEC)
- Furniture Pakistan

He holds an M.Sc in International Relations and a Masters in Development Administration, USA. He is currently working as Additional Secretary Ministry of Industries and Production, Government of Pakistan.

Mr. Manzoor Ahmed,
(Director)

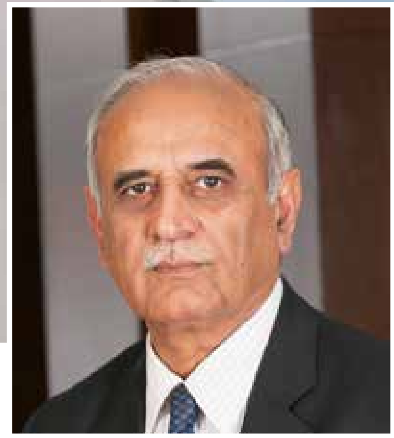
Joined the Board on May 23, 2013.

He is the acting Managing Director of NIT. He has experience of over 25 years in the Mutual Fund industry. He is an MBA and holds a Diploma in Banking from the Institute of Bankers Pakistan (DAIBP). He is also a Certified Director from Pakistan Institute of Corporate Governance.

He holds Directorship of the following companies:

- Askari Bank Limited
- Bank Al-Habib Limited
- General Tyre and Rubber Company
- Linde Pakistan Limited
- Mari Petroleum Company Limited
- Millat Tractors Limited
- Nishat (Chunian) Limited
- Service Industries Limited
- Siemens (Pakistan) Engineering Company Limited
- Soneri Bank Limited
- Sui Northern Gas Pipelines Limited

He has attended various training courses organized locally and Internationally.



Maj Gen Nasir Mahmood
HI(M) (Retired)
(Director)

Joined the Board on August 1, 2013.

He is Director Welfare (Education) of Fauji Foundation. He is a graduate of Command & Staff College, Joint Services Staff College and National Defense University Islamabad.

He is an experienced aviation pilot and has held various Command and Staff appointments in the Army. His important assignments include Directors General and Commander Army Aviation. He has served as Director General National Accountability Bureau (Punjab). He has also been Additional Secretary Ministry of Defence Production. Remained on the Board of Directors of Karachi Shipyard and Pakistan Aeronautical Complex from 2009 to 2011. In recognition of his meritorious services, he was awarded Sitara-e-Imtiaz (Military) and Hilal-e-Imtiaz (Military).

He also holds directorship on the Board of Mari Petroleum Company Limited, and Fauji Oil Terminal Distribution Company Limited.

He is chairman of Human Resource & Remuneration Committee.

Profile of the Board

Mr Alamuddin Bullo
(Director)

Joined the Board on September 19, 2013.

He is presently Chairman of State Life Insurance Corporation of Pakistan. He belongs to District Management Group and has held the position of Provincial Secretary for Communication and Works, Culture, Education, Labor and Population.

He has been the Chief Secretary of Azad State of Jammu & Kashmir and joined Civil Services in 1985. He holds a Master's Degree in Economics from Sindh University, Jamshoro and has undergone Senior Management Course in the National Defence University at Islamabad.

He holds directorship of the following companies

- Packages Limited
- Orix Leasing Pakistan Limited
- Sui Northern Gas Pipelines Limited
- Sui Southern Gas Company Limited
- Hub Power Company Limited
- Pakistan Cables Limited
- Security Papers Limited
- Thatta Cement Company Limited
- Alphas Insurance Company Limited

Syed Shahid Hussain
(Chief Financial Officer)

Appointed as CFO on November 3, 2008.

He is a fellow Member of the Institute of Chartered Accountants of Pakistan.

He joined the Company in 1981 and has served in various capacities in the Finance Division before being appointed as the Chief Financial Officer of the Company in 2008. With over 30 years of experience in various positions, he plays an active role in the financial / strategic planning of the Company. He is also the Chief Financial Officer of FFC Energy Limited and Al-Hamd Foods Limited.

Prior to his appointment as CFO of the Company, he served as company Secretary and Director Finance of an offshore joint venture project in Morocco (Pakistan Moroc Phosphore S.A.) from 2005 to 2008 where he was conferred the "Wissam Alouite" award by H.E. King Mohammed VI for his invaluable services to the project.

Brig Sher Shah,
SI(M) (Retired)
(Company Secretary)

Appointed as Company Secretary on February 5, 2013.

He is an alumni of National Defense University, Quaid-e-Azam University and the University of Maryland, USA. Holds Masters degrees in International Relations, Defence & Strategic Studies and War Studies and a Diploma in Corporate and Commercial Law.

Besides command, staff and instructional assignments in the Army, he has been Associate Dean at National Univesity of Sciences & Technology. He also served on the faculty of National Defense University Islamabad, in the department of National Security Policy and Strategy. He had a stint as Director in the Defense Science and Technology Organization.

He has been regularly contributing research papers to publications of national and international repute.

In recognition of his long meritorious services, in the Army, he has been awarded Sitara-e-Imtiaz (Military).


Exploring
new horizons

Board Committees

Audit committee

Members

Engr. Rukhsana Zubairi
Chairman

Mr. Qaiser Javed
Member

Dr. Nadeem Inayat
Member

Meetings held during the year

Date	Attendees
January 21, 2013	3
April 23, 2013	2
July 25, 2013	3
October 25, 2013	2
December 18, 2013	3

Salient Features & 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 and internal audit reports.

(k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CE&MD 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) Review of Related Party transactions entered into during the year and recommending approval of the Board of Directors thereon.

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

Human Resource & Remuneration Committee

Members

Maj Gen Nasir Mahmood, HI(M) (Retired)
Chairman

Dr. Nadeem Inayat
Member

Brig Parvez Sarwar Khan, SI(M) (Retired)
Member

Meetings held during the year

Date	Attendees
April 23, 2013	3
December 10, 2013	2

Salient Features & Terms of Reference

The role of the Human Resources & Remuneration 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 recommends any adjustments, which are fair and required to attract / retain high calibre 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 Term 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 and post-retirement medical treatment, based on the actuarial reports, assumptions and funding recommendations.

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

(g) Review and recommend compensation / benefits for the CE&MD 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 Senior Manager Human Resources acts 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 Parvez Sarwar Khan, SI(M) (Retired)
Member

Meetings held during the year

Date	Attendees
August 7, 2013	2
October 10, 2013	3
December 10, 2013	2

Salient Features & 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.

Project 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
June 15, 2013	3
July 25, 2013	3

Salient Features & Terms of Reference

This Committee 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 Naeem Khalid Lodhi, HI(M) (Retired) - CE&MD
Chairman

Syed Iqtidar Saeed, GGM-M&T
Member

Syed Shahid Hussain, CFO
Member

Mr Mohammad Munir Malik, GGM-MKT
Member

Mr Muhammad Shuaib, CIA
Member

Mr Naeem Ur Rehman, GM-E
Member

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

Mr Rashid Khan, GM-FB
Member

Mr Asif Jamal, GM-M&O (G/M)
Member

Brig Tariq Javaid (Retired), GM-HR
Member

Mr Naveed Ahmad, A/GM-M&O (M/M)
Member

Brig Sher Shah (Retired), Company Secretary
Member

Brig Sajid Nisar Khan, SI (M) (Retired), CCO
Member / Secretary

Salient Features & Terms of Reference

This Committee conducts its business under the chairmanship of the CE&MD 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 the Company's 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 Naeem Khalid Lodhi, HI(M) (Retired), CE&MD
Chairman

Syed Iqtidar Saeed, GGM-M&T
Member

Syed Shahid Hussain, CFO
Member

Mr Mohammad Munir Malik, GGM-MKT
Member

Mr Asif Jamal, GM-M&O (G/M)
Member

Brig Sher Shah , SI (M) (Retired)
Company Secretary / Member

Brig Sajid Nisar Khan, SI (M) (Retired), CCO
Member / Secretary

Salient Features & Terms of Reference

This Committee is chaired by the CE&MD with six members from the Management of the Company. Meetings are held on requirement basis for identification and management of risks and overseeing 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 Naeem Khalid Lodhi, HI(M) (Retired), CE&MD
Chairman

Syed Iqtidar Saeed, GGM-M&T
Member

Syed Shahid Hussain, CFO
Member

Mr. Mohammad Munir Malik, GGM-MKT
Member

Brig Sher Shah, SI(M) (Retired), Company Secretary
Member

Brig Sajid Nisar Khan, SI(M) (Retired), CCO
Member

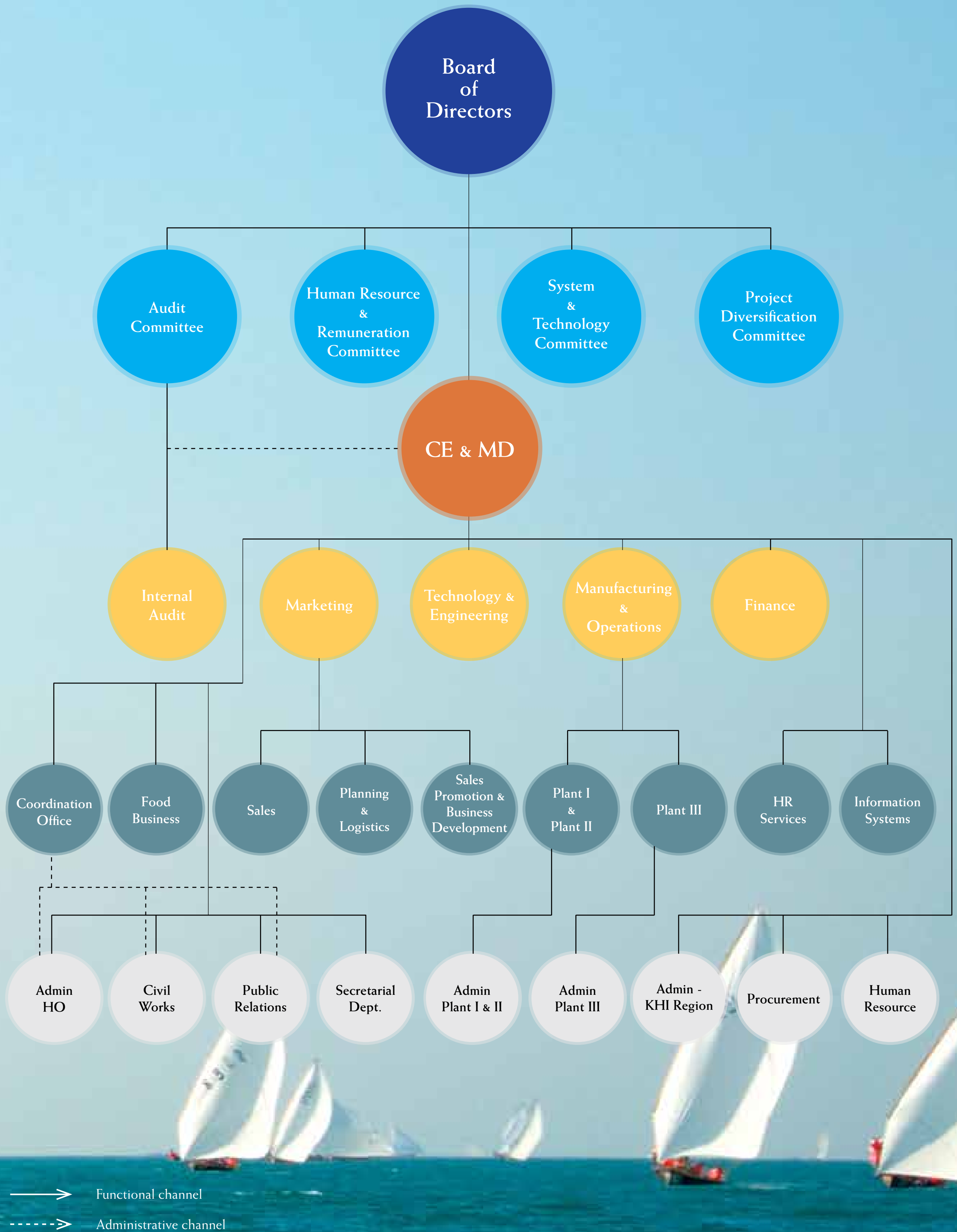
Brig Munawar Hayat Khan Niazi (Retired) SI(M), TB t, SM-CSR
Member / Secretary

Salient Features & Terms of Reference

This Committee is chaired by the Chief Executive with six members from the Management of the Company. 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 standardized 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.

Working together

Organogram


Board of Directors
Audit Committee
Human Resource & Remuneration Committee
System & Technology Committee
Project Diversification Committee
CE & MD
Internal Audit
Marketing
Technology & Engineering
Manufacturing & Operations
Finance
Coordination Office
Food Business
Sales
Planning & Logistics
Sales Promotion & Business Development
Plant I & Plant II
Plant III
HR Services
Information Systems
Admin HO
Civil Works
Public Relations
Secretarial Dept.
Admin Plant I & II
Admin Plant III
Admin - KHI Region
Procurement
Human Resource
Functional channel
Administrative channel

Business Model

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

Growth Drivers

FFC's growth is primarily driven by 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 optimize costs, utilizing less to produce more.

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

Our Key Assets

Human capital is by far our most valuable asset, directly affecting performance while ensuring success each year.

Among our 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.

Leveraging 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.

Product Portfolio

Urea

Fertilizer (FFC & FFBL)

Used in grain and cotton crops at the time of last cultivation before planting. In irrigated crops, urea can be applied dry to the soil. During summer, it is often spread just before rain to minimize losses from vitalization process. Urea produced by FFBL is in Granular form, being the only of its kind in Pakistan. Urea has the highest nitrogen content of all solid nitrogenous fertilizers in common use.

Industrial Use

Raw material in manufacture of plastics, adhesives and industrial feedstock.

DAP

Fertilizer (FFC & FFBL)

Di-ammonium Phosphate (DAP) belongs to a series of water-soluble ammonium phosphate salts that is produced through a reaction of ammonia and phosphoric acid. 'Sona' DAP is the most concentrated phosphatic fertilizer containing 46% P2O5 and 18% Nitrogen. The solubility of DAP is more than 95%, which is highest among the phosphatic fertilizers available in the Country.

Industrial Use

Fire retardant used in commercial firefighting products. Also used as metal finisher, yeast nutrient, nicotine enhancer in cigarettes and sugar purifier.

SOP

Fertilizer (FFC)

Sulphate of Potash (SOP) is the most commonly used non-chloride potash fertilizer in the world. Being an important source of Potash, SOP is utilized mainly for sensitive, high-value crops including fruits, vegetables, tobacco and tree crops, such as nuts. FFC SOP contains 50% K2O in addition to 18% sulfur, which is an important nutrient especially for oil seed crops with an ameliorating effect on salt-affected soils. Potash is an important nutrient for activation of enzymes in the plant body and helps increase sugar and starch contents in cultivation.

Potash improves the resistance of plants against pests, diseases and stresses like water / frost injury etc.

Renewable Energy

(FFCEL)

Supply of 49.5 MWs of green/renewable wind energy to the Country, through the Company's subsidiary - FFC Energy Limited.

Financial Services

Banking (AKBL)

Extending of a wide range of financial services through the subsidiary Askari Bank Limited – AKBL, with a network of 281 full service / sub branches with a Wholesale Bank Branch in the Kingdom of Bahrain.

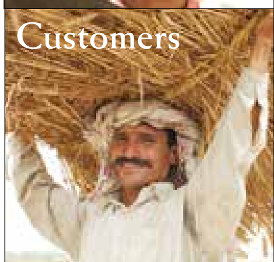
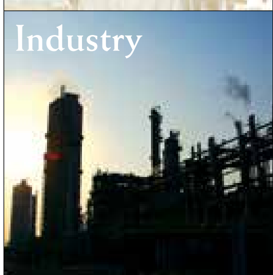
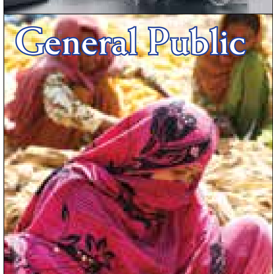
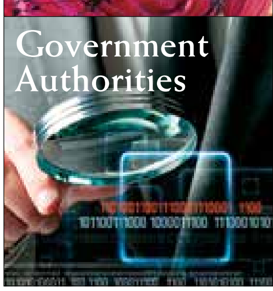
The Bank is also engaged in the business of mutual funds and share brokerage, investment advisory and related services through its subsidiary companies Askari Investment Management Limited and Askari Securities Limited.

Fruits & Vegetables

Frozen F&V (AHFL)

Pioneering in the production of frozen fruit, vegetables and french fries using the Individually Quick Frozen (IQF) technology, in addition to ready to eat meals, and introduction of Vapour Heat Treatment (VHT) and the Controlled Atmosphere (CA) Stores, through the Company's subsidiary - Al-Hamd Foods Limited (AHFL).

Relationship Management

Our relationship	How they affects us	How we manage them
Employees 	Employees are at the heart of our organization, implementing every strategic and operational decision of the management. Our employees represent us in the industry and community.	Our commitment to our most valued resource, a committed and competent workforce, is at the core of our Human Resource strategy. FFC provides a nurturing and employee friendly environment while investing heavily in local and foreign employee trainings. Besides monetary compensations, FFC has invested in health and fitness activities for its employees.
Customers 	Our success and performance depends on the loyalty of our customers and their preference of the 'Sona' brand.	FFC has invested significantly over the years in customer relationship management going beyond extending credit facilities and trade discounts. We recognize the importance of our customers in the Country's Agro based economy and to strengthen our relationship with our customers, we not only put great focus on agronomy but also disseminate that knowledge to our customers.
Industry 	Our relationship with the Industry is vital to establish long term mutually beneficial relationships.	FFC utilizes its technical expertise in assisting other companies of the fertilizer sector through provision of technical services and trainings to many of these companies.
Investors 	The providers of capital allow FFC the means to achieve its vision.	The Company acknowledges and honors the trust our investors put in us by providing a steady return on their investment. We enforce rigorously a transparent relationship with all our stakeholders.
General Public 	The people and the environment of our Country provide the grounds for us to build our future on.	Through a dedicated CSR Department our dedication to the environment and public at large is ensured. FFC has been ranked at 3rd place by Pakistan Center of Philanthropy while our contribution through the CSR during 2013 amounted to Rs. 446 million (2% of profit after tax).
Government Authorities 	Laws and regulations, determination of prices and other factors controlled by the Government affect FFC and its performance.	FFC prides itself in being a responsible corporate citizen and abides by the laws and regulations of Pakistan. FFC consciously ensures that all the legal requirements of other courtiers are also fulfilled while conducting business outside Pakistan. FFC has paid a total of Rs. 43.5 Billion in taxes and duties this year and continues to be one of the highest tax payers' of Pakistan.

Notice of Meeting

Notice is hereby given that the 36th Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at FFC Head Office, 156-The Mall, Rawalpindi on Friday, March 14, 2014 at 10:00 hours to transact the following business:-

Ordinary Business

1. Confirmation of the minutes of Extraordinary General Meeting held on August 21, 2013.
2. Consideration, approval and adoption of annual audited accounts and the consolidated audited accounts of FFC and its subsidiaries alongwith Directors' and Auditors' Reports thereon for the year ended December 31, 2013.
3. Appointment of Auditors for the year 2014 and to fix their remuneration.
4. Approval of Final Dividend for the year ended December 31, 2013 as recommended by the Board of Directors.
5. Transact any other business with the permission of the Chair.

By Order of the Board

Brig Sher Shah (Retd)
Company Secretary

Rawalpindi
February 20, 2014

NOTES:

1. The share transfer books of the Company will remain closed from March 08 to March 14, 2014 (both days inclusive).
2. A member of the Company entitled to attend and vote at the Meeting may appoint a person/representative as proxy to attend and vote in place of the member. Proxies in order to be effective must be received at the Company's Registered Office, 156-The Mall, Rawalpindi 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 NIC to prove identity, and in case of proxy, a copy of shareholder's attested Computerized National Identity Card (CNIC) must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

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

A. For attending the Meeting:

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

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

B. For appointing proxies:

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

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

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

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

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

Financial Performance

		2013	2012 (Restated)	2011	2010	2009	2008
Financial Performance - Profitability							
Gross profit margin	%	46.36	48.47	62.20	43.60	43.27	40.39
EBITDA margin to sales	%	42.74	44.99	63.64	41.43	41.68	37.99
Pre tax margin	%	39.50	41.78	60.06	36.35	36.11	32.82
Net profit margin	%	27.03	28.07	40.73	24.58	24.40	21.33
Return on equity	%	80.05	80.96	99.17	71.40	67.44	53.11
Return on capital employed	%	68.41	70.38	88.60	57.25	49.96	36.94
Operating leverage ratio	Times	1.11	3.73	4.12	1.00	1.65	3.42
Operating Performance / Liquidity							
Total assets turnover	Times	1.10	1.23	0.99	1.04	0.94	0.96
Fixed assets turnover	Times	4.04	4.15	3.24	2.82	2.58	2.40
Debtors turnover	Times	34.55	40.20	248.18	145.93	96.06	27.59
Debtors turnover	Days	11	9	1	3	4	13
Inventory turnover	Times	188.00	151.68	162.43	282.79	235.80	55.17
Inventory turnover	Days	2	2	2	1	2	7
Creditors turnover	Times	144.48	60.99	33.45	59.69	54.78	49.08
Creditors turnover	Days	3	6	11	6	7	7
Operating cycle	Days	10	5	(8)	(2)	(1)	14
Return on assets	%	29.68	34.38	40.50	25.61	22.89	20.44
Current ratio	Times	0.77	1.14	1.04	0.86	0.84	0.82
Quick / Acid test ratio	Times	0.66	1.01	0.93	0.73	0.66	0.54
Cash to Current liabilities	Times	0.38	0.61	0.38	0.32	0.12	0.06
Cash flow from Operations to Sales	Times	0.34	0.25	0.35	0.33	0.25	0.27
Capital Market / Capital Structure Analysis							
Market value per share							
- Year end	Rs	111.96	117.14	149.54	125.86	102.93	58.73
- High during the year	Rs	121.60	190.95	198.35	128.50	109.20	149.85
- Low during the year	Rs	100.00	105.75	109.82	101.10	61.66	54.30
Breakup value / Net assets per share	Rs	19.77	20.26	26.75	22.77	19.28	24.90
Earnings per share (pre tax) - restated	Rs	23.12	24.41	26.07	12.82	10.26	7.89
Earnings per share (after tax) - restated	Rs	15.83	16.40	17.68	8.67	6.94	5.13
Earnings growth - restated	%	(3.48)	(7.24)	103.92	24.93	35.20	21.85
Price earning ratio - restated	Times	7.07	7.14	8.46	14.52	14.83	11.45
Market price to breakup value	Times	5.64	6.22	5.66	4.78	5.34	4.81
Dividend yield / Effective dividend rate	%	13.77	12.29	16.51	14.24	14.93	13.57
Debt : Equity		15:85	13:87	10:90	20:80	26:74	30:70
Weighted average cost of debt	%	10.08	12.47	14.50	13.49	14.64	12.09
Interest cover	Times	39.91	32.08	43.20	16.00	14.82	15.45
Change in Market Value Added	%	(4.85)	18.35	48.86	23.25	239.94	(63.60)
Financial leverage ratio	%	0.51	0.40	0.58	0.73	0.95	0.75
Corporate Distribution & Retention							
Dividend per share - Interim cash	Rs	11.35	10.50	14.75	9.50	9.90	10.50
Dividend per share - Proposed Final	Rs	4.00	5.00	5.25	3.50	3.25	3.25
Total dividend per share - cash	Rs	15.35	15.50	20.00	13.00	13.15	13.75
Dividend payout - Interim cash	%	71.72	64.04	55.62	58.45	73.13	79.40
Dividend payout - Interim & Proposed cash	%	96.99	94.53	75.42	79.98	98.12	103.98
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	%	153.50	155.00	250.00	155.00	141.50	162.50
Total dividend payout - cash & bonus	%	96.99	94.53	94.27	95.36	105.11	122.89
Dividend cover ratio	%	103.13	105.81	70.72	55.94	49.05	31.57
Retention (after interim cash)	%	28.28	35.96	44.38	41.55	26.87	20.60
Retention (after interim & proposed cash)	%	3.01	5.47	24.58	20.02	1.88	(3.98)

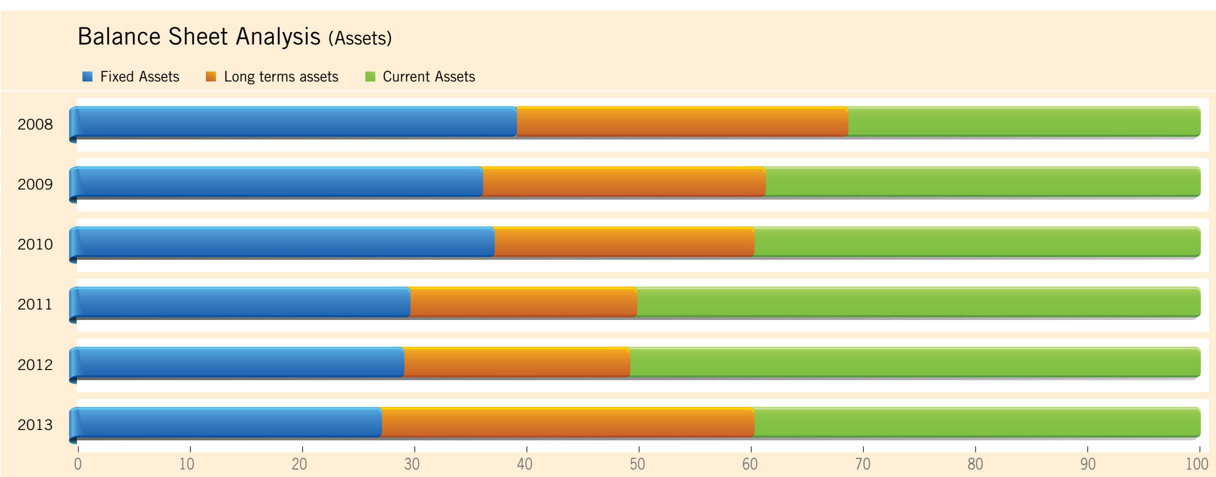
		2013	2012 (Restated)	2011	2010	2009	2008
Summary of Balance Sheet							
Share capital		12,722	12,722	8,482	6,785	6,785	4,935
Reserves		12,429	13,045	14,199	8,662	6,297	7,350
Shareholder's funds / Equity		25,151	25,767	22,681	15,447	13,082	12,285
Long term borrowings		4,280	3,870	2,704	3,819	4,579	5,378
Capital employed		29,431	29,637	25,385	19,266	17,661	17,663
Deferred liabilities		4,078	3,915	3,833	3,807	3,036	2,432
Property, plant & equipment		18,444	17,928	17,051	15,934	13,994	12,731
Long term assets		41,501	29,716	27,895	25,837	23,635	22,210
Net current assets / Working capital		(7,992)	3,836	1,114	(2,764)	(2,938)	(2,115)
Liquid funds (net)		5,298	7,830	14,603	7,830	5,298	2,117
Summary of Profit & Loss							
Sales		74,481	74,323	55,221	44,874	36,163	30,593
Gross profit		34,532	36,023	34,349	19,564	15,648	12,358
Operating profit		28,365	30,469	29,977	15,620	12,473	9,689
Profit before tax		29,419	31,052	33,166	16,310	13,057	10,041
Profit after tax		20,135	20,860	22,492	11,029	8,823	6,525
EBITDA		31,832	33,437	35,141	18,591	15,071	11,621
Summary of Cash Flows							
Net cash flow from Operating activities		25,270	18,646	19,557	14,768	8,919	8,166
Net cash flow from Investing activities		(8,684)	4,719	(8)	962	(1,373)	(3,243)
Net cash flow from Financing activities		(20,242)	(16,765)	(16,033)	(11,422)	(6,191)	(7,529)
Changes in cash & cash equivalents		(3,656)	6,600	3,516	4,308	1,355	(2,606)
Cash & cash equivalents - Year end		13,012	16,572	9,963	6,423	2,097	740
Others							
Market capitalization		142,413	149,002	126,810	85,396	69,838	28,981
Numbers of shares issued	Millions	1,272	1,272	848	679	679	494
Contribution to National Exchequer		43,534	43,189	28,081	14,647	13,634	11,663
Savings through Import Substitution	USD Millions	969	1,061	1,126	756	679	1,217
Quantitative Data							
Sona Urea Production		2,408	2,405	2,396	2,485	2,464	2,322
Sona Urea Sales		2,409	2,399	2,406	2,482	2,464	2,342

Horizontal Analysis

Balance Sheet

Rs in million

	2013 Rs	13 Vs. 12 %	2012 Rs	12 Vs. 11 %	2011 Rs	11 Vs. 10 %	2010 Rs	10 Vs. 09 %	2009 Rs	09 Vs. 08 %	2008 Rs	08 Vs. 07 %
EQUITY AND LIABILITIES			(Restated)									
EQUITY												
Share capital	12,722	-	12,722	49.99	8,482	25.01	6,785	-	6,785	37.49	4,935	-
Capital reserve	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	12,269	(4.78)	12,885	(8.22)	14,039	65.13	8,502	38.54	6,137	(14.65)	7,190	(5.83)
	25,151	(2.39)	25,767	13.61	22,681	46.83	15,447	18.08	13,082	6.49	12,285	(3.50)
NON-CURRENT LIABILITIES												
Long term borrowings	4,280	10.59	3,870	43.12	2,704	(29.20)	3,819	(16.60)	4,579	(14.86)	5,378	101.35
Deferred taxation	4,078	4.16	3,915	8.06	3,623	(4.83)	3,807	25.40	3,036	24.84	2,432	2.88
	8,358	7.36	7,785	23.04	6,327	(17.03)	7,626	0.14	7,615	(2.50)	7,810	55.11
CURRENT LIABILITIES												
Trade and other payables	21,854	35.52	16,126	30.79	12,330	36.65	9,023	12.75	8,003	33.52	5,994	3.08
Interest and mark - up accrued	22	(12.00)	25	(68.75)	80	(42.03)	138	(6.12)	147	(24.62)	195	5.98
Short term borrowings	7,000	40.28	4,990	(42.88)	8,736	54.87	5,641	(7.36)	6,089	95.54	3,114	(0.86)
Current portion of long term borrowings	1,460	1.81	1,434	(11.26)	1,615	(8.19)	1,759	(2.22)	1,799	142.13	743	(27.37)
Taxation	3,984	(12.30)	4,543	20.76	3,762	9.81	3,426	88.55	1,817	2.19	1,778	35.42
	34,320	26.55	27,118	2.24	26,523	32.70	19,987	11.94	17,855	51.01	11,824	3.03
	67,829	12.00	60,670	9.25	55,531	28.96	43,060	11.69	38,552	20.78	31,919	9.16
ASSETS												
NON-CURRENT ASSETS												
Property, plant & equipment	18,444	4.00	17,819	4.50	17,051	7.01	15,934	13.86	13,994	9.92	12,731	22.53
Intangible assets	1,652	(2.00)	1,679	7.01	1,569	-	1,569	-	1,569	-	1,569	-
Long term investments	20,662	117.00	9,512	9.85	8,659	10.03	7,870	1.84	7,728	(0.22)	7,745	22.45
Long term Loans & advances	740	6.00	701	15.68	606	33.19	455	34.62	338	107.36	163	13.99
Long term deposits & prepayments	3	(40.00)	5	(44.44)	9	-	9	50.00	6	200.00	2	-
	41,501	40.00	29,716	6.53	27,894	7.96	25,837	9.32	23,635	6.42	22,210	20.52
CURRENT ASSETS												
Stores, spares and loose tools	3,245	5.00	3,099	26.64	2,447	0.29	2,440	(18.59)	2,997	(1.22)	3,034	26.00
Stock in trade	302	(32.00)	442	(30.61)	637	200.47	212	47.22	144	(44.19)	258	(59.88)
Trade debts	701	(81.00)	3,611	4,050.57	87	(75.70)	358	39.30	257	(48.19)	496	(71.20)
Loans and advances	921	36.00	678	57.31	431	28.27	336	158.46	130	(5.11)	137	63.10
Deposits and prepayments	47	31.00	36	(34.55)	55	10.00	50	31.58	38	(64.49)	107	214.71
Other receivables	790	34.00	589	(33.97)	892	44.34	618	(15.80)	734	(40.47)	1,233	(20.09)
Short term investments	18,960	1.00	18,750	(13.97)	21,794	81.31	12,020	77.60	6,768	92.71	3,512	15.98
Cash and bank balances	1,362	(64.00)	3,749	189.72	1,294	8.83	1,189	(69.11)	3,849	312.98	932	(30.96)
	26,328	(15.00)	30,954	12.00	27,637	60.47	17,223	15.46	14,917	53.64	9,709	(10.19)
	67,829	12.00	60,670	9.25	55,531	28.96	43,060	11.69	38,552	20.78	31,919	9.16

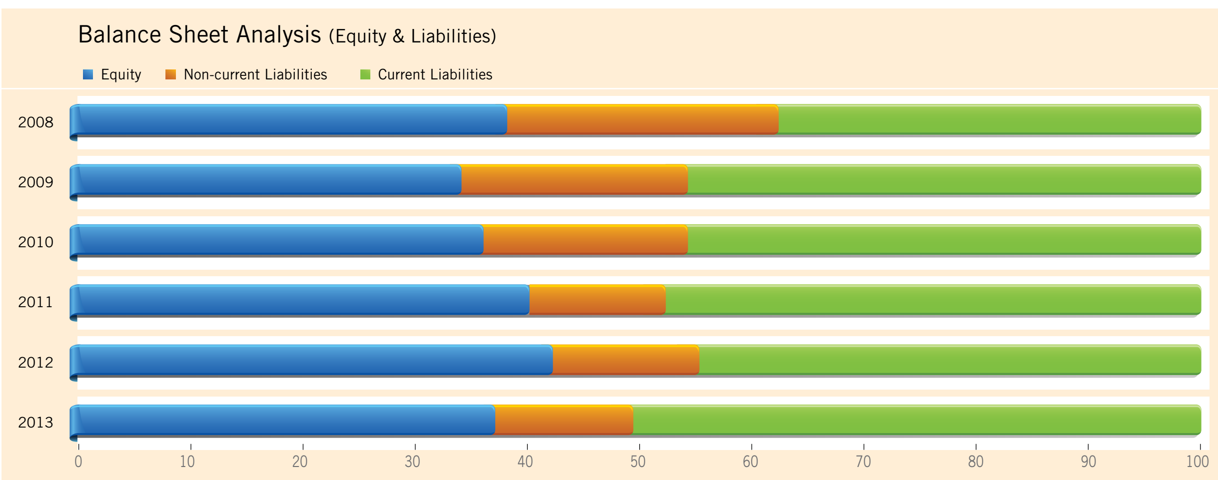


Vertical Analysis

Balance Sheet

Rs in million

	2013 Rs	2013 %	2012 Rs	2012 %	2011 Rs	2011 %	2010 Rs	2010 %	2009 Rs	2009 %	2008 Rs	2008 %
EQUITY AND LIABILITIES			(Restated)									
EQUITY												
Share capital	12,722	18.76	12,722	20.97	8,482	15.27	6,785	15.76	6,785	17.60	4,935	15.46
Capital reserve	160	0.24	160	0.26	160	0.29	160	0.37	160	0.42	160	0.50
Revenue reserves	12,269	18.09	12,885	21.24	14,039	25.28	8,502	19.74	6,137	15.91	7,190	22.53
	25,151	37	25,767	42.47	22,681	40.84	15,447	35.87	13,082	33.93	12,285	38.49
NON-CURRENT LIABILITIES												
Long term borrowings	4,280	6.31	3,870	6.38	2,704	4.87	3,819	8.87	4,579	11.88	5,378	16.85
Deferred taxation	4,078	6.01	3,915	6.45	3,623	6.52	3,807	8.84	3,036	7.87	2,432	7.62
	8,358	12.32	7,785	12.83	6,327	11.39	7,626	17.71	7,615	19.75	7,810	24.47
CURRENT LIABILITIES												
Trade and other payables	21,854	32.22	16,126	26.58	12,330	22.20	9,023	20.95	8,003	20.76	5,994	18.78
Interest and mark - up accrued	22	0.03	25	0.04	80	0.14	138	0.32	147	0.38	195	0.61
Short term borrowings	7,000	10.32	4,990	8.22	8,736	15.73	5,641	13.10	6,089	15.80	3,114	9.75
Current portion of long term borrowings	1,460	2.15	1,434	2.36	1,615	2.91	1,759	4.09	1,799	4.67	743	2.33
Taxation	3,984	5.87	4,543	7.49	3,762	6.78	3,426	7.96	1,817	4.71	1,778	5.57
	34,320	50.60	27,118	44.69	26,523	47.76	19,987	46.42	17,855	46.32	11,824	37.04
	67,829	100.00	60,670	100.00	55,531	100.00	43,060	100.00	38,552	100.00	31,919	100.00
ASSETS												
NON-CURRENT ASSETS												
Property, plant & equipment	18,444	27.19	17,819	29.37	17,051	30.70	15,934	37.00	13,994	36.30	12,731	39.88
Intangible assets	1,652	2.44	1,679	2.77	1,569	2.83	1,569	3.64	1,569	4.07	1,569	4.92
Long term investments	20,662	30.46	9,512	15.68	8,659	15.59	7,870	18.28	7,728	20.04	7,745	24.26
Long term Loans & advances	740	1.09	701	1.16	606	1.09	455	1.06	338	0.88	163	0.51
Long term deposits & prepayments	3	-	5	0.01	9	0.02	9	0.02	6	0.02	2	0.01
	41,501	61.19	29,716	48.98	27,894	50.23	25,837	60.00	23,635	61.31	22,210	69.58
CURRENT ASSETS												
Stores, spares and loose tools	3,245	4.78	3,099	5.11	2,447	4.41	2,440	5.67	2,997	7.77	3,034	9.51
Stock in trade	302	0.45	442	0.73	637	1.15	212	0.49	144	0.37	258	0.81
Trade debts	701	1.03	3,611	5.95	87	0.15	358	0.83	257	0.67	496	1.55
Loans and advances	921	1.36	678	1.12	431	0.78	336	0.78	130	0.34	137	0.43
Deposits and prepayments	47	0.07	36	0.06	55	0.10	50	0.12	38	0.10	107	0.34
Other receivables	790	1.16	589	0.97	892	1.60	618	1.44	734	1.90	1,233	3.86
Short term investments	18,960	27.95	18,750	30.90	21,794	39.25	12,020	27.91	6,768	17.56	3,512	11.00
Cash and bank balances	1,362	2.01	3,749	6.18	1,294	2.33	1,189	2.76	3,849	9.98	932	2.92
	26,328	38.82	30,954	51.01	27,637	49.77	17,223	40.00	14,917	38.69	9,709	30.42
	67,829	100.00	60,670	100.00	55,531	100.00	43,060	100.00	38,552	100.00	31,919	100.00



Horizontal and Vertical Analyses

Profit and Loss Account

Horizontal Analysis

Rs in million

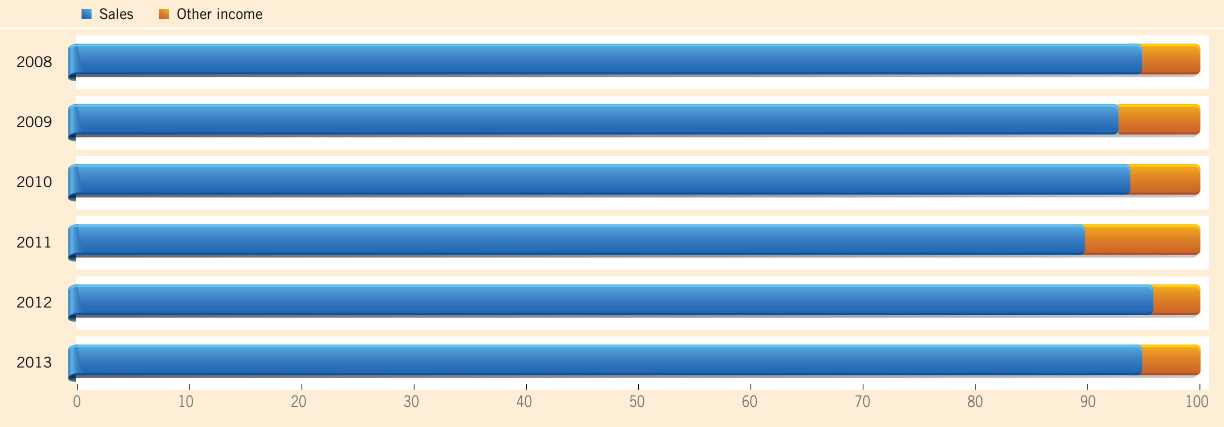
	2013 Rs	13 Vs. 12 %	2012 Rs	12 Vs. 11 %	2011 Rs	11 Vs. 10 %	2010 Rs	10 Vs. 09 %	2009 Rs	09 Vs. 08 %	2008 Rs	08 Vs. 07 %
			(Restated)									
Sales	74,481	0.21	74,323	34.59	55,221	23.06	44,874	24.09	36,163	18.21	30,593	7.61
Cost of Sales	39,949	4.31	38,300	83.50	20,872	(17.53)	25,310	23.37	20,515	12.50	18,235	(0.42)
Gross profit	34,532	(4.14)	36,023	4.87	34,349	75.57	19,564	25.03	15,648	26.62	12,358	22.15
Distribution cost	6,167	11.04	5,554	27.04	4,372	10.85	3,944	24.22	3,175	18.96	2,669	10.38
	28,365	(6.91)	30,469	1.64	29,977	91.91	15,620	25.23	12,473	28.73	9,689	25.85
Finance cost	756	(24.32)	999	27.10	786	(27.69)	1,087	15.03	945	35.97	695	(1.28)
Other expenses	2,558	(4.77)	2,686	1.17	2,655	92.95	1,376	8.18	1,272	41.96	896	6.04
	25,051	(6.47)	26,784	0.93	26,536	101.69	13,157	28.29	10,256	26.65	8,098	31.67
Other income	4,368	2.34	4,268	(35.63)	6,630	110.28	3,153	12.57	2,801	44.16	1,943	16.70
Net profit before taxation	29,419	(5.26)	31,052	(6.37)	33,166	103.35	16,310	24.91	13,057	30.04	10,041	28.48
Provision for taxation	9,284	(8.91)	10,192	(4.52)	10,674	102.12	5,281	24.73	4,234	20.42	3,516	43.28
Net profit after taxation	20,135	(3.48)	20,860	(7.26)	22,492	103.94	11,029	25.00	8,823	35.22	6,525	21.71

Vertical Analysis

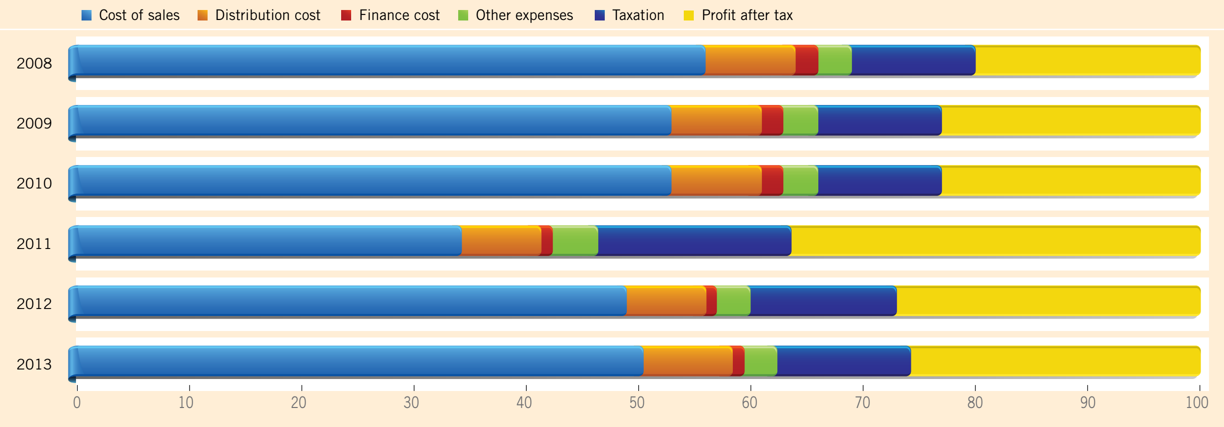
Rs in million

	2013		2012		2011		2010		2009		2008	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
			(Restated)									
Sales	74,481	100.00	74,323	100.00	55,221	100.00	44,874	100.00	36,163	100.00	30,593	100.00
Cost of Sales	39,949	53.64	38,300	51.53	20,872	37.80	25,310	56.40	20,515	56.73	18,235	59.61
Gross profit	34,532	46.36	36,023	48.47	34,349	62.20	19,564	43.60	15,648	43.27	12,358	40.39
Distribution cost	6,167	8.28	5,554	7.47	4,372	7.92	3,944	8.79	3,175	8.78	2,669	8.72
	28,365	38.08	30,469	41.00	29,977	54.29	15,620	34.81	12,473	34.49	9,689	31.67
Finance cost	756	1.02	999	1.34	786	1.42	1,087	2.42	945	2.61	695	2.27
Other expenses	2,558	3.43	2,686	3.61	2,655	4.81	1,376	3.07	1,272	3.52	896	2.93
	25,051	33.63	26,784	36.04	26,536	48.05	13,157	29.32	10,256	28.36	8,098	26.47
Other income	4,368	5.86	4,268	5.74	6,630	12.01	3,153	7.03	2,801	7.75	1,943	6.35
Net profit before taxation	29,419	39.50	31,052	41.78	33,166	60.06	16,310	36.35	13,057	36.11	10,041	32.82
Provision for taxation	9,284	12.47	10,192	13.71	10,674	19.33	5,281	11.77	4,234	11.71	3,516	11.49
Net profit after taxation	20,135	27.03	20,860	28.07	22,492	40.73	11,029	24.58	8,823	24.40	6,525	21.33

Profit & Loss Analysis (Income)

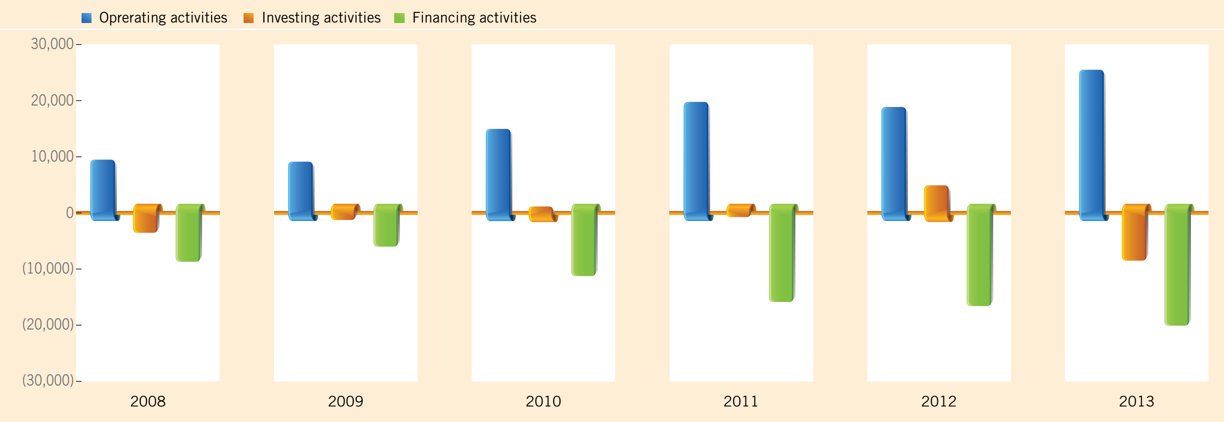


Profit & Loss Analysis (Expenses)



Cash Flow Summary

(Rs in million)



Comments on Financial Performance

2011 was an exceptional year for FFC creating new benchmarks in profitability and payout. A comparison of 2011 with the preceding or subsequent years will therefore distort all analysis projecting a false impression of underperformance. Further, several aspects of 2011's performance were reflected in 2012, being the Company's second best year, and wherever a significant variance has occurred, Company performance during years prior to 2011 has been analyzed, which has revealed that we have maintained an upward trend in all areas of operations.

Six year analysis of Financial Position

Equity and Liabilities

Shareholders' equity

Shareholders' equity has registered a steady growth over the past 6 years, with a marginal decline of 2% in 2013 over 2012 on account of high dividend payout. Increase in share capital is attributable to issue of bonus shares which included a 50% bonus issue in 2012.

Non-current liabilities

Non-current liabilities comprise of long term loans and deferred taxation. The latter has remained relatively constant, registering a 4% increase in 2013 as compared to 2012. Long term loans have increased by 11% compared to 2012. Overall long term borrowings have remained relatively consistent over the past 6 years. The financing is utilized mainly for operations including plant turnaround and BMR activities.

Current Liabilities

Overall current liabilities have recorded a 27% increase as compared to 2012, attributable mainly to increase in trade and other payables. The increase in current liabilities over the last six years has remained fairly in line with the changes in the Company's business cycle.

Assets

Long term investments

Long term investments registered an increase of 117% during the year because of equity investment of Rs. 586 million in Al-Hamd Foods Limited in addition to a significant investment of Rs. 10.46 billion in Askari Bank Limited.

Six year analysis of Profit and Loss

Revenue

Sales revenue over the six years period recorded a compounded annual growth (CAGR) of 19%, attributable to sales price revisions to incorporate the impact of increased production costs mainly comprising of gas prices escalation, implementation of Gas Infrastructure Development Cess (GIDC) and inflationary factors. The Company recorded benchmark revenue of Rs. 74.48 billion in 2013, with an improvement of Rs. 158 million over last year.

Cost of Sales & Gross Profit

Gross profit for 2013 was 4% below last year due to higher costs of production. With the exception of 2011, Gross Profit margin for 2013 improved to 46%, recording an aggregate improvement of 6% over the last six years.

Distribution Cost & Operating Profit

Operating profit was lower by 7% compared to last year

because of an 11% increase in distribution cost during 2013, mainly attributable to higher transportation costs. Distribution cost as a percentage of sales during 2013 was in line with the six years' average of 8%.

Six year analysis of Cash Flows

The cash flows recorded an overall improvement over the last six years, representing liquidity growth. Acquisition of 43.15% equity stake in AKBL and 100% management control of AHFL constitutes the main factor for increase in cash outflows from investing activities whereas higher cash dividends during the year attributed to increased outflows from financing activities. Cash flow from operating activities are in line with the historic trend, in addition to growth in revenues and profitability.

Analysis of six year ratios

Profitability Ratios

Gross profit and net profit margins for 2013 depicted decline of 2% and 1% as compared to 2012 mainly on account of higher cost of sales. Distribution cost however was fairly in line with historic averages. Gross profit margin demonstrated an aggregate improvement of 6% over the last six years with a corresponding increase of 6% in the net profit margin of the Company.

Operating performance / Liquidity

Asset turnover ratio recorded an improvement of 6% over the historic average of last six years (excluding 2011) but decreased by 0.37 times as compared with 2012. Current ratio depicted a decline of 0.13 times below 2012 due to increase in trade creditors.

Capital Market / Capital Structure

Cumulative regularization of Company profitability post exceptional performance during 2011 lead to change in capital market sentiment, which resulted in reduction in market price of FFC's shares by 4% as of December 31, 2013 compared to 2012.

Company's interest cover ratio improved to a significant 40 times as compared to 15 times in 2008, because of efficient treasury management.

Meeting 2012's forward looking disclosures

The above analysis indicates that FFC has achieved all major forward looking objectives of 2012 including sustained return to shareholders and diversified operations through successful acquisition of Askari Bank Limited and investment in Al-Hamd Foods Limited. Other major objectives including establishment of a fertilizer plant abroad and coal fired boilers are in advanced review stages and the Company expects achievement of these objectives in due time.

Detailed analysis of all of the above components of performance are also indicated in the financial performance section of the Director's Report.

Chairman's Review

"As the energy crisis worsens, FFC remains steadfast in delivering results to its stakeholders; proving yet again our unfaltering will to evolve, perform and deliver."

It gives me immense pleasure to report yet another hallmark year in the Company's history, with diversified investments during the year in financial services sector, and pioneering into food business through acquisition of an IQF (Individually Quick Frozen) food technology project.

2013 also marks the beginning of a new era of renewable energy for the Country through our pioneer wind farm project – FFC Energy Limited, with supply of over 90.19 GWH (Giga Watt Hours) to the National grid during the period, post successful achievement of commercial operations in May 2013. We remain committed towards further alleviating the energy crisis which has gripped the nation and its economy and towards this end, we are evaluating the potential for additional investments in the energy sector.

I am confident that in time, these ventures shall become industry leaders, augmenting our shareholders' return in a challenging and uncertain economic environment while also catering to the financial, agricultural, food and energy requirements of our fellow Pakistanis.

Persistent gas curtailment in addition to escalating gas costs and governmental levies, continue to strain our operations. Despite these challenges, FFC posted a strong performance with net earnings of Rs. 20.14 billion with a marginal decline of 4% against last year. Based on the results, the Board is pleased to announce final dividend of Rs. 4.00 per share (40%) bringing the total dividend for the year to Rs. 15.35 per share (153.5%).

While we are dedicated towards expansion, we remain focused on strengthening our core competencies. The risks emanating from depleting gas reserves and persistent gas curtailment are being analyzed for mitigation through potential coal based technologies in addition to improved efficiencies and economies.

Our contribution to society goes beyond delivering returns to stakeholders and includes supply of premium quality fertilizer, technical advice to farming community, gainful employment and savings of foreign exchange in terms of import substitution. However, these can only be sustained with supportive Governmental policies, with due regard to the potential avenues for export of surplus fertilizer output augmenting Country's economy and improving its balance of payments.

I take this opportunity to thank our outgoing directors who have, over their tenure, rendered invaluable services and contribution towards the success of the Company and achievement of our objectives.

This year's achievements are attributable to the bold strategies, successfully executed by our dedicated employees, who contributed immensely towards a successful year and I wish them continued growth and success in all areas of activity.

Lt Gen Muhammad Mustafa Khan
HI (M) (Retired)
January 29, 2014

CE & MD's Remarks

“Committed towards operational excellence, growth and innovation; at FFC, we look to the future with confidence.”

Through a business model based on consumer demand satisfaction and continuous enhancement in the effectiveness and efficiency of our business processes, we remain focused on sales, cost optimization and effective cash utilization for sustained earnings and profitable return to our stakeholders.

Our production facilities achieved capacity utilization of 118% despite gas curtailment while our developed dealer network and rigorous marketing efforts returned 'Sona' urea sales of 2,409 thousand tonnes during the year.

In compliance of environmental regulations, we plan to introduce Oxo-biodegradable bags which do not require industrial recycling, becoming the first fertilizer Company to deliver its product in an environmentally friendly manner, to the farmers.

The year 2013 is also credited with the first ever dividend receipt of Rs. 117 million from Fauji Cement Company Limited (FCCL), in addition to achievement of commercial operations by FFC Energy Limited, the Country's first wind power project to come online.

We plan to expand the product portfolio of our pioneer preserved / packaged food venture Al-Hamd Foods Limited (AHFL) with introduction of Vapor Heat Treatment (VHT) technology and state of the art Controlled Atmosphere (CA) store in addition to the core IQF manufacturing line and ready-to-eat meals.

Fertilizer industry is the backbone of the Country's agro based economy and continues its supportive role through supply of fertilizers at much competitive prices to the farming community as opposed to international rates.

FFC contributed over Rs. 43.5 billion to the national exchequer in 2013, enabled savings of over US$ 971 million through import substitution for the Country, in addition to a significant direct contribution of over Rs. 446 million (2% of our net profit) to the nation through our CSR initiatives.

Food availability at affordable rates for the rising population is dependent on economized input costs of the farmer. Sustained sector support towards the agricultural based economy therefore warrants favorable Governmental policies.

Being aware of our responsibilities, we have incorporated the challenges in our business model and with a diversified product portfolio, I am confident that we shall continue to deliver sustained returns to our stakeholders.

Naeem Khalid

Lt Gen Naeem Khalid Lodhi,
HI (M) (Retired)
January 29, 2014

Financial Review

"As we deliver on our commitment to stakeholders, our view of the future remains optimistic. What lies beyond the horizons is a continuously growing and evolving organization that rewards not only our stakeholders but the Country as a whole."

Syed Shahid Hussain
Chief Financial Officer

Macro-economic Overview

Energy shortage, law and order situation and a host of other sociopolitical impediments continued to challenge Pakistan's economy in 2013, holding back investment and growth in the Country.

Over the last 5 years, Pakistan's economy grew at an average of 2.9% per annum whereas GDP growth in 2013 slowed down to 3.6% compared to 4.4% in 2012. Deterioration in the power sector was the main constraint on the economy's growth.

Fiscal Development

Pakistan's efforts to achieve fiscal sustainability remained significantly challenged over the recent past because of the above factors in addition to circular debt issues, low tax to GDP ratio, untargeted subsidies and resource drain through public sector entities. Our fiscal deficit was reported at 6.8% of GDP in 2013.

Investments

Foreign Direct Investment posted an increase of 29.7% whereas total investment declined from 18.79% of GDP in 2007 to 14.22% in 2013. Private and public investments also witnessed a contraction of 3.9% of GDP in 2013.

Money and Credit

SBP's policy rate remained in the lower range of 9-9.5% till October 2013 in order to encourage investments in the economy. However, as the outlook for inflation increased to the range of 10.5-11%, SBP revised its policy rate to 10% in November 2013.

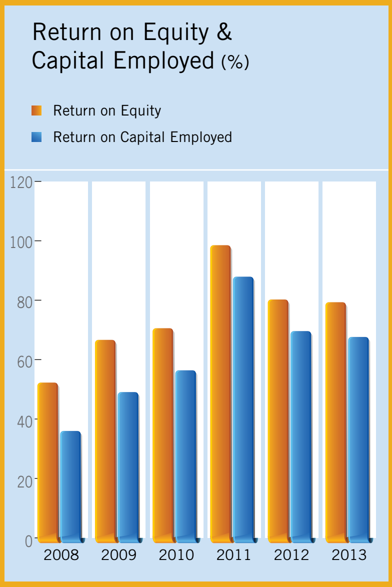
Agriculture Sector

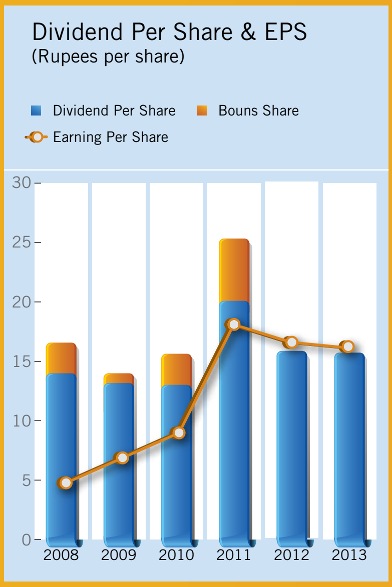
Agriculture contributes towards development of other sectors through supply of raw materials, in addition to being a market for industrial products and is also the main source of foreign exchange earnings for Pakistan. The sector accounts for 21.4% of GDP and employs around 45% of the Country's workforce.

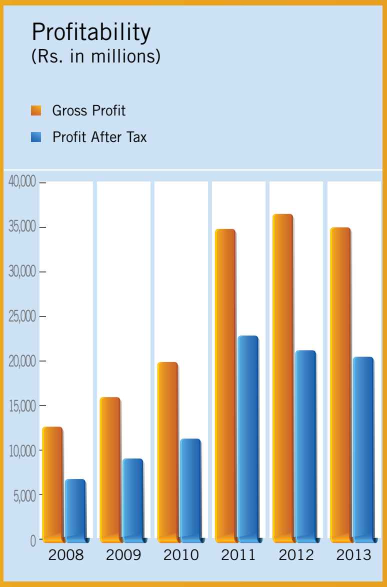
Performance of agriculture sector remained weak in 2013 due to unfavorable weather conditions and recorded a growth of 3.3% against 3.5% last year.

Currency Devaluation

Pak Rupee recorded around 9% devaluation against the US Dollar during 2013. Widening of current account deficit, excessive government borrowings from SBP, increased oil imports, and repayments to IMF were the main factors attributing towards a rapid depreciation of the currency.







FFC Performance

Profit and Loss Analysis

Aggregate 'Sona' urea output of 2,408 thousand tonnes by our manufacturing facilities during 2013 was in line with last year, at a capacity utilization factor of 118%. The Company however suffered Sona urea production loss of around 75 thousand tonnes because of depressed gas supply.

With an off-take of 2,409 thousand tonnes of 'Sona' urea and 73 thousand tonnes of DAP, the Company earned record sales revenue of Rs. 74.48 billion, with an improvement of Rs. 158 million because of improved sales volume. Net average selling prices of urea remained in line with last year but average prices for DAP registered a decline compared to 2012 because of decrease in the international market. Combined urea market share through marketing of FFBL urea was recorded at 45% whereas aggregate DAP market share stood at 50% (Source: NFDC).

Rising raw material and fuel costs in addition to general inflation were the primary factors for increased cost of production and resultantly, the Company recorded gross profit of Rs. 34.53 billion, 4% below last year.

Increase in transportation rates and warehouse security costs resulted in distribution cost escalation to Rs. 6.17 billion, 11% higher than 2012.

Finance cost at Rs. 756 million during the year was lower by 24% compared to last year because of effective credit management and improved liquidity through optimized advance collection from customers against product sales.

As a result of efficient treasury management and improved liquidity, income on investments and deposits at Rs. 1.66 billion was Rs. 256 million in excess of last year, representing an incremental contribution of 18% towards net earnings for the period.

The Company recorded first ever dividend receipt of Rs. 117 million from Fauji Cement Company Limited. However, aggregate dividend income at Rs. 2.58 billion was lower by 8% compared to last year because of 13% lower dividend distribution by FFBL.

Consequently, the Company achieved net of tax earnings of Rs. 20.14 billion during 2013, yielding an EPS of Rs. 15.83, a marginal decline of 4% compared to last year mainly because of sluggish average selling prices as compared to escalating operating costs, and decreased dividend income.

Financial Review

Financial Position Analysis

Efficient credit management and debt collections enabled reduction in trade debts by Rs. 2.9 billion. Improved fertilizer demand enabled marketing of most of our fertilizer inventory, with a carrying stock of Rs 301.9 million only at the close of the year.

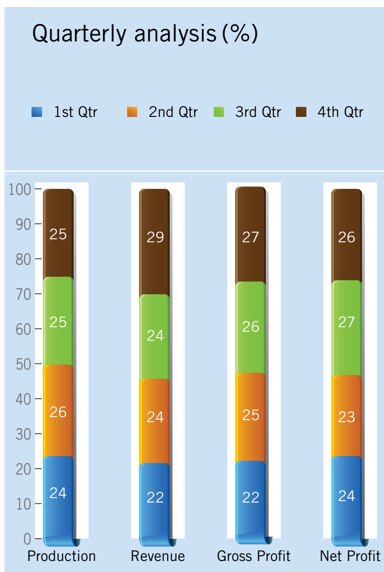
The major reason for decrease in liquidity is the financing of over Rs. 11.05 billion for AKBL and AHFL's acquisition from internal Company sources.

Increase in trade payables by Rs. 5.7 billion at the close of 2013 mainly represented pending trade creditor's invoices.

Payment of higher dividends during the year resulted in depletion of the Company reserves and lower net assets at the close of 2013.

Increase in long term investments is primarily represented by acquisition of 43.15% equity stake in AKBL and 100% acquisition of AHFL.

Quarterly Analysis



The Company witnessed record performance in the first quarter and the nine months' period, during 2013 with benchmark sales revenue and net earnings, as compared to a fairly depressed first and three quarters of last year. This is attributable mainly to consistent sales activity in 2013 as compared to 2012 where sales revenue remained fairly depressed.

Overall, the quarterly performance and variations were in line with the normal sales cycle. Detailed analysis of major components of quarterly results is as follows:

Production

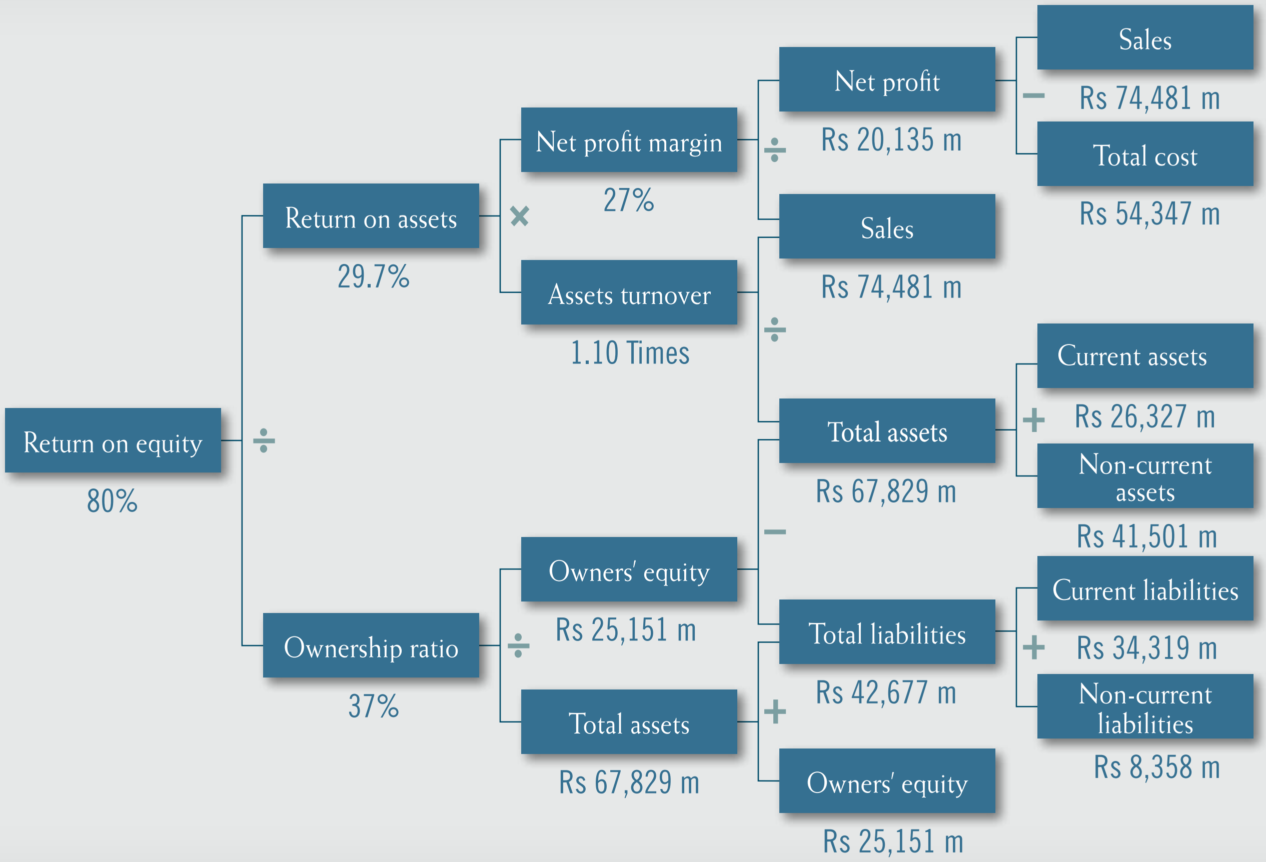
Aggregate production for the year was 3 thousand tonnes above last year. Production for the first, third and fourth quarters were down from last year because of plant maintenance downtime in the first quarter, whereas the decline in second and third quarters is attributable to gas shortage and minor repairs. This decline was offset by a 5% improvement in output during the second quarter of 2013.

Sales

'Sona' sales maintained a steady pattern on quarterly basis during the year. The off-take of 2,409 thousand tonnes improved by 10 thousand tonnes compared to last year with improved sales during the first and third quarters, whereas the second and fourth quarters recorded marginal decline considering record sales in the comparative periods of 2012.

Sales Revenue

The average selling prices remained depressed during the first half of 2013 as compared to 2012. The prices were revised in the third quarter of 2013 but the average selling prices on nine months basis continued to remain below 2012. Average prices on annual basis however reached last year's level.



Because of improved off-take during the first and third quarters of 2013, the Company posted record revenues translating into higher earnings for these quarters.

The second and fourth quarters recorded steady revenues and the Company earned record annual revenue of Rs. 74.48 billion with an improvement of Rs. 158 million over last year because of increased sales volume.

Operating Costs

The price of gas used as feed escalated by 6.14% while the cost of fuel gas was increased to Rs. 488.23 per MMBTU in the first quarter of 2013 by the Government, resulting in increased costs of production. The increase in petroleum rates resulted in escalated costs of transportation. Aggregate operating costs for 2013 were resultantly 5% higher than last year.

Profit

Efficient credit management and treasury operations resulted in savings in financing costs and improvement in investment income.

Because of lower FFBL profitability in 2012 and first quarter of 2013, the dividend receipt in the first two quarters was lower by 36%. The third quarter marked improvement in dividend income from FFBL in addition to Rs. 117 million dividend received from FCCL. Aggregate dividend income however, was 8% below last year.

DuPont Analysis	2013	2012
Tax burden	32%	33%
Interest burden	3%	3%
EBIT margin	41%	43%
Asset turnover	1.10	1.23
Leverage	63%	58%
Return on Equity	80%	81%

Financial Review

The Company earned record net earnings in the first quarter and the nine months period of 2013 while steady profits were recorded in the second and fourth quarters. The overall decline of 4% in annual profitability compared to 2012 is attributable mainly to static average selling prices despite significant increase in operating costs.

Net Assets

Net assets at the start of the year were Rs. 25,767 million which declined to Rs. 24,317 million at the close of first quarter 2013 despite record net profits of Rs. 4,910 million, mainly on account of payment of 2012 final dividend amounting to Rs. 6,361 million.

The equity increased to Rs. 24,449 million at the end of second quarter of 2013 representing the net impact of Rs. 4,453 million paid as first interim dividend in the quarter against net earnings of Rs. 4,586 million.

Record nine months performance increased net assets to Rs. 25,077 million which further increased to Rs. 25,151 million at the end of 2013.

Total dividend distribution during the year stood at Rs. 20.8 billion while net earnings were recorded at Rs. 20.14 billion.

Profit Distribution Analysis

The Company carried distributable reserves of Rs. 13,037 million at December 31, 2012 of which, Rs. 6,361 million representing 96% annual payout on account of final dividend for 2012, was approved by the shareholders. An amount of Rs. 1.30 billion was approved to be transferred to General Reserve to cater for planned expansion in 2013.

The Company recorded net earnings of Rs. 4.91 billion during the first quarter of 2013 and an interim cash dividend of Rs. 4.45 billion at Rs. 3.5 per share was announced which represented 91% of quarterly profits.

Second interim dividend amounting to Rs. 4.77 Billion (Rs. 3.75 per share) was declared in July 2013 against aggregate half yearly profitability of Rs 9,496 billion which was 8% lower than the corresponding period of 2012. This represents a quarterly payout of 104% and a half year payout of 97%.

Profit for the third quarter increased to Rs. 5,402 million, out of which, Rs. 5,220 million was distributed resulting in a 97% quarterly payout. Profits till the end of third quarter were 8% higher than the corresponding period of 2012 while dividends paid were 5% higher.

Net earnings of Rs. 5,236 million were recorded in the fourth quarter resulting in closing reserves of Rs. 12,429 million.

Appropriations	Rs in million	Rs per share
Unappropriated profit brought forward	7,375	
Final Dividend - 2012	(6,361)	5.00
Transfer to General Reserve	(1,300)	
Net profit 2013	20,135	15.83
Available for appropriation	19,849	
Appropriations		
First Interim Dividend 2013	(4,453)	3.50
Second Interim Dividend 2013	(4,771)	3.75
Third Interim Dividend 2013	(5,216)	4.10
Other comprehensive income	48	
Unappropriated profit carried forward	5,457	

Appropriations

Final dividend for 2012 amounted to Rs. 6.63 billion whereas interim dividends distributed during 2013 were Rs. 14.44 billion.

An amount of Rs. 1.3 billion was transferred to general reserve bringing the total appropriations for the year to Rs. 22.1 billion.

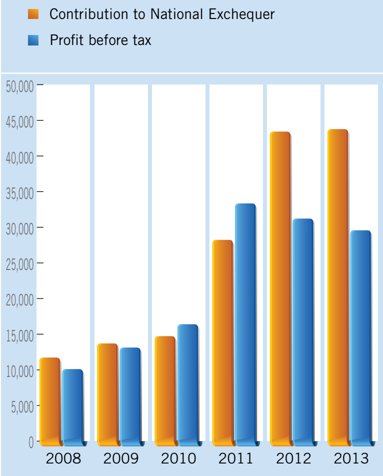
Contribution to National Exchequer and Economy

The Company contributed Rs. 43.5 billion during the year towards the National Exchequer by way of taxes, levies, excise duty and sales tax which includes an amount of Rs. 8,532 million in respect of GIDC. The total contribution is the highest in the Company's history bringing the cumulative contribution as at December 31, 2013 to Rs. 247.7 billion.

Value addition in terms of foreign exchange savings worked out to US$ 971 million through import substitution based on 2,408 thousand tonnes of urea manufactured during the year.

Total value addition to the economy in 2013 was Rs. 76,989 million.

NPBT & Contibution to National Exchequer (Rs. million)



	2013 Rs Million	%	2012 Rs Million (Restated)	%
Wealth Generated				
Total revenue inclusive of				
sales tax and other income	91,410	118.73	90,483	120.20
Purchases - material and services	14,428	18.73	15,207	20.20
	76,989	100	75,276	100
Wealth Distribution				
To Employees				
Salaries, wages and other benefits				
including retirement benefits	5,755	7.5	5,501	7.3
To Government				
Income tax, sales tax, excise duty				
and custom duty*	41,348	53.7	40,859	54.3
WPPF and WWF	2,186	2.8	2,330	3.1
To Society				
Donations and welfare activities	446	0.6	220	0.3
To Providers of Capital				
Dividend to shareholders	20,801	27.0	17,811	23.7
Finance cost of borrowed funds	759	1.0	1,054	1.4
Retained in the Company	5,694	7.4	7,501	10.0
	76,989	100	75,276	100

*Includes accrued GIDC remittance of Rs. 8,532 million.

Financial Commitments

The Company was financially committed for an amount of Rs. 3,900 million as at December 31, 2013. Detail on commitments have been disclosed in the relevant note of the financial statements.

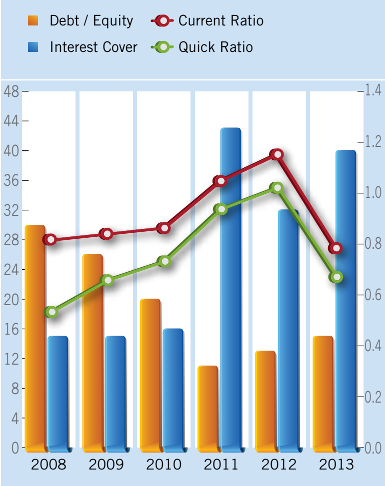
Liquidity and Cash flow Management

Liquidity and cash flow arrangements at FFC are carried out through optimized credit control and efficient treasury management, focusing on cash flow forecasting for effective matching of inflows and outflows.

Internally generated cash represents our main source of working capital with minimal recourse on external financing. An optimal working capital cycle is maintained through preparation of forecasts while regularly monitoring our progress.

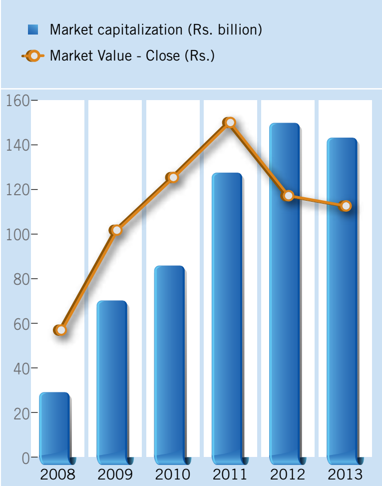
Financial Review

Leverage & liquidity ratios
(%)



Inventory, Debtors and Creditors Turnover (Days)

Market capitalization & market price



The Company has also established a diversified investment portfolio comprising FFBL, FCCL, FFCEL, PMP and lately in 2013 in AKBL and AHFL to maintain growth in liquidity for the Company. Credit risks attributable to any short term investments are minimized through diversified investments among top ranking financial institutions by way of internal policies.

Capital Market & Market Capitalization

The Karachi Stock Exchange (KSE) drives the performance of Pakistan's capital market. A comparison of the current year with 2012 reveals that the number of companies listed on KSE dropped from 573 to 560, whereas, market capitalization rose from Rs. 4,242 billion to Rs. 6,056 billion representing an astounding increase of 43%. Further, total capital listed on KSE increased by 3% from Rs. 1,094 billion to Rs. 1,130 billion.

Share Price Analysis

Trading in FFC's equity during the year stood at 402 million shares. The market price during the year underwent significant fluctuations between the highest of Rs. 121.6 per share to the lowest of Rs. 100 per share. Retaining its status as one of KSE's most stable investment, the scrip closed at Rs. 112.95 per share on December 31, 2013, resulting in a market capitalization of Rs. 143.37 billion, 4% lower than 2012.

The fluctuations were primarily caused by investor speculations and the market's reaction to material events occurring during the year.

Sensitivity Analysis

FFC's profitability and performance is exposed to various external factors which can significantly alter annual results. Most of these factors are however, external to the Company and are beyond the management's control.

In order to mitigate exposure, the sensitivity of various factors is analyzed through business modeling, review of trends / annual results and the market, to determine the variables with the highest impact on profitability. The Company however remains exposed to direct governmental action.

	NPAT (Rs M)	EPS (Rs)
Sales Volume (+/- 1%)	234	0.18
Gas Consumption/ Price (+/- 1%)	113	0.09
Dividend Income (+/- 5%)	119	0.09
Selling Price (+/- 1%)	426	0.33
Downtime (+/- 2 days)	137	0.11
Exchange Valuation (+/- 5%)	133	0.10
Income on Deposits (+/- 5%)	46	0.04
Finance Cost (+/- 5%)	23	0.02

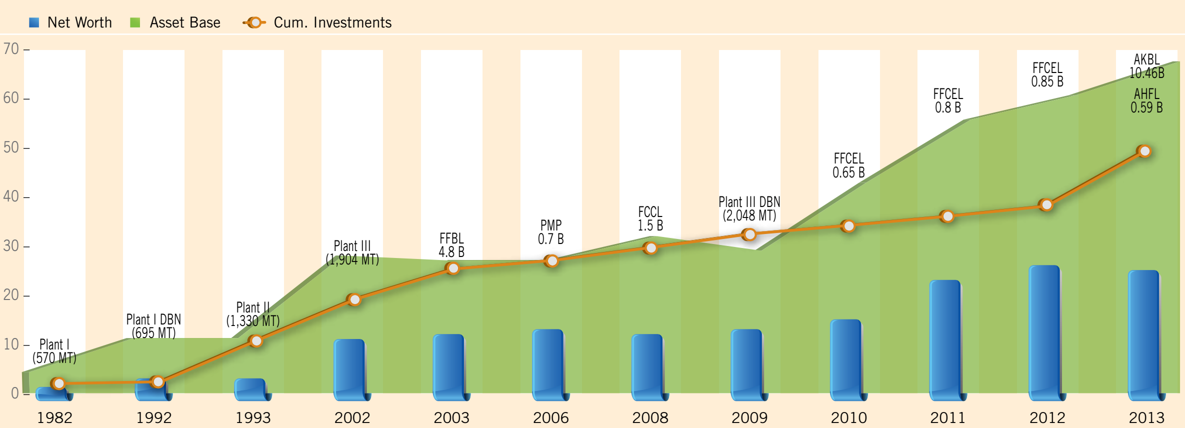
Key Sensitivities

- **Sales price & volume,** is a critical variable in terms of performance and overall profitability. Although pricing decisions can be made internally, and volumes are driven by production, contracting international fertilizer prices, gas curtailment and availability of subsidized imported fertilizer has significantly made sales price and volume an external factor. Average selling price during 2013 remained stagnant at last year's level and going forward, the imposition of incremental GIDC effective January 1, 2014 has brought additional pressure on Company's pricing ability.
- **Supply of natural gas,** the main raw material for production has a material effect on profitability. Although improvement in consumption levels may be obtained through efficiency enhancement, gas curtailment has been a continuous pressure on our urea output for the past three years.
- In order to maintain the operational efficiency of our facilities, regular inspection and maintenance is carried out resulting in **production downtime**. Any increase in maintenance turnaround beyond planned levels can significantly affect production and consequently, profitability.
- **Dividend income** from the Company's strategic investments has been a significant part of our recent profitability. Most of our dividend income is earned from FFBL which is also impacted by the above factors and dividend income for the Company is accordingly beyond the Company's control.
- **Income on deposits** earned by the Company represents the efficiency of our treasury management. However, the amount earned on financial assets cannot entirely be controlled by the Company as prevailing interest rates are affected by market conditions in addition to direct Governmental action.
- Borrowings made by the Company, and the relevant **financing cost,** has a significant impact on our profitability. Although margins on borrowings are negotiated by the management, the base KIBOR rates are based on market and economic conditions and cannot be controlled. Consequently, any unexpected adverse movements in KIBOR rates announced by the SBP would have a material impact on our profitability. Going forward, the increasing trend in KIBOR rates is expected to have a significant impact on our earnings.
- Foreign currency monetary assets and liabilities expose our Company to a foreign exchange risk on account of unpredictability in exchange rates. **Exchange valuation,** carried out at the balance sheet date is therefore material in respect of profitability.

Historic Growth & Acquisitions

FFC has been growing steadily over the years through acquisitions and investments in its core competencies. In 2013, the Company's asset base increased by 11% over 2012 while the net worth stood at Rs. 25.15 billion as at December 31, 2013.

Growth & acquisitions (Rs. billion)



Financial Review

During 2013, 43.15% equity stake was acquired in AKBL at a cost of Rs. 10.46 billion which includes the cost of right issue subscription subsequent to initial investment. FFC also acquired 100% control of AHFL at a cost of Rs. 385.5 million with an additional equity contribution of Rs. 200 million made during 2013 to finance potential expansion projects.

Financial Targets Analysis

Targets for the year were projected on the basis of estimated impact of various factors which included elements outside the Company's control and other variables which could either be monitored or the impact of which could be mitigated to the extent possible.

General inflation, currency parity, Government taxes / levies & regulations, raw material prices, gas curtailment and supply / demand, are factors that affect the Company's cost of production and distribution and are generally considered to be outside the Company's control, in addition to environmental factors which cannot be predicted including weather, floods etc.

As a result of careful planning and control, in addition to improvement in efficiencies, the Company was able to achieve its operating targets with sustained production and sales during the year despite gas curtailment.

The continuation of GIDC and increase in cost of gas affected the cost pass through ability of the Company. The selling price on average therefore remained depressed throughout the year at levels equivalent to last year, resulting in increased costs and lower profitability by 4% compared to last year.

Inflation and fuel costs which were slightly above the projections further escalated the operating costs.

Savings in financing costs and increase in income on deposits despite planned acquisition of Askari Bank Limited and Al-Hamd Foods Limited were the result of efficient credit and treasury management. First ever dividend receipt from Fauji Cement positively impacted profitability and the Company expects a continuation in the incremental income.

The net earnings of Rs. 20.14 billion were therefore an overachievement against targets.

Considering the restricted pass through ability of the Company, targets for 2014 have been prepared considering the affects of likely changes in cost of production and distribution, market conditions and Government taxes & levies that are likely to force a downward slide on profitability. Efforts shall however be made to ensure sustenance of existing profitability.

Appointment of Cost Auditors

In compliance with the provisions of Companies (Audit of Cost Accounts) Rules, 1998, the Company has appointed BDO Ebrahim & Company Chartered Accountants, as Cost Auditors based on relevant experience.

The cost audit shall be conducted in accordance with the applicable regulations and Auditor's Report thereon shall be duly circulated by the Board of Directors to all the specified stakeholders including the shareholders, the Commission and the Registrar concerned, within the prescribed timeframe.

Corporate Awards

Best Corporate Report Award 2012

FFC's annual report for the year ended December 31, 2012 was awarded first place in the Fertilizer & Chemical sector.

This was the eleventh consecutive top placement for the Company which is a singular achievement by any Company in any sector of the award. The award was declared by a joint committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).

Sustainability Report 2012

FFC's Sustainability Report for 2012 was endorsed by Global Reporting Initiative (GRI-Holland) and certified for Level A, the maximum transparency a business can achieve toward its social and environmental footprints. The report was awarded second prize by ICAP/ICMAP for the "Best Sustainability Award" category, which was a significant improvement from third place in 2012.

KSE Top Companies 2012

For the third consecutive year, FFC has been adjudged the overall winner of the Top 25 companies' listed on the Karachi Stock Exchange, in 2012. This was also the nineteenth successive placement in the top companies list.

Brig. Iftikhar Ayub Khan recieving the best corporate report award 2012

Brig. Iftikhar Ayub Khan recieving the best sustainability report award 2012

The achievement demonstrates FFC performance with regard to the top KSE companies' criteria in terms of dividend distribution, trading pattern of shares, capital efficiency, profitability, free-float, turnover of shares, contribution towards corporate social responsibility, in addition to transparency and investor relations.

Safeguarding of Records

In compliance with statutory requirements and for commercial purposes, the books of account, records pertaining to secretarial, legal, contractual and taxation have been archived for a period well above the legally stipulated time, in a well preserved manner at secure locations.

An E-DOX computer system is also utilized for backup of the actual record and the system enables prompt and convenient retrieval of relevant documents in a secure environment with appropriate access controls and authorization systems.

With increasing IT dependence for recording and reporting of financial transactions, due attention has been allocated to IT enabled tools for security of financial record. Access to electronic documentation is protected through implementation of a comprehensive password authorization matrix in SAP-ERP.

Additionally, as part of Disaster Recovery Procedures, remote disaster recovery sites have been set up for data backups in addition to maintenance of a backup server for the primary server.

Financial Review

Consolidated Operations and Segmental Review

Group sales revenue for 2013 was recorded at Rs. 130,433 million with net profit of Rs. 23,661 million compared to Rs. 22,516 million in 2012, higher by 5%. Brief analysis of each Group company's performance is presented below:

Fauji Fertilizer Bin Qasim Limited (FFBL)

FFC's investment in FFBL is valued at a cost of Rs. 4,752 million, representing 50.88% of FFBL's equity. Despite gas curtailments during the year, FFBL recorded net profitability of Rs. 5.613 million, 29% higher than last year, representing an EPS of Rs. 6.01. The fourth quarter contributed significantly to FFBL's overall performance. Dividend of Rs. 2,376 million received from FFBL during 2013 was 13% lower than last year. Cumulative return received from FFBL since investment stands at Rs. 18,606 million.

During the year, FFBL produced 224 thousand tonnes of 'Sona' Urea (Granular) and 744 thousand tonnes of DAP which were sold by FFC Marketing Group, earning FFBL Rs. 54,455 million as sales revenue.

FFBL's share in the urea market declined from 5% last year to 3.8%, whereas, its share in the DAP market was reported at 46% compared to 52% in 2012.

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

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 ensures an uninterrupted supply of raw material to FFBL.

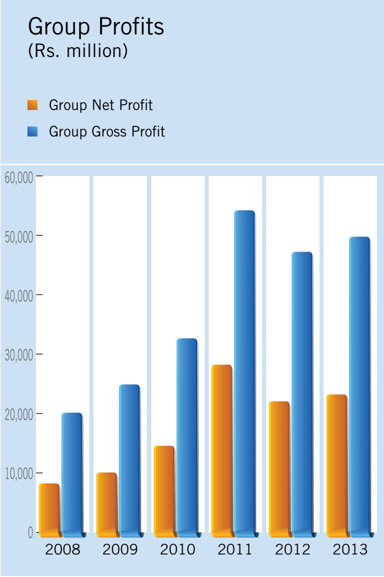
Fauji Cement Company Limited (FCCL)

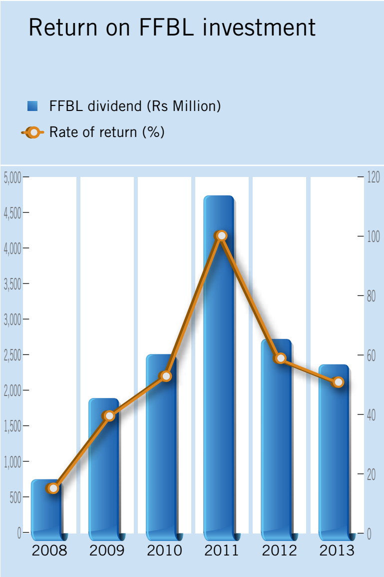
FFC's holding in FCCL amounts to Rs. 1.50 billion representing 6.80% of FCCL's equity but because of common directorship, the company is considered as an associated concern of FFC. Till September 30, 2013, the end of its first quarter, FCCL achieved capacity utilization of 67% as compared to 66% in the corresponding period of last year. Local dispatches increased by 3% while exports declined by 5% as compared to the same quarter of last year.

FCCL declared a dividend of Rs. 1.25 per share amounting to Rs. 117 million in July 2013 representing the first dividend since FFC's investment in the Company.

FFC Energy Limited (FFCEL)

Subsequent to achievement of commercial operations effective May 16, 2013, FFCEL has supplied 90.19 GWH (Giga Watt Hours) of electricity to the national grid up till December 31, 2013.





Sales revenue of the Company for the year was Rs. 1,477 million while net profit stood at Rs. 191 million representing an EPS of Rs. 0.79.

Revenue receipts during the year at Rs. 1,030 million stood at around 70% of total sales because of circular debt issue being faced by the energy sector, and the Company remained financially constrained to retire its debt obligations and working capital requirements, resulting in financial recourse to the sponsors and incremental financing costs for the Company.

Askari Bank Limited (AKBL)

As per the latest available financial statements of AKBL, the Bank has a total asset base of Rs. 356 billion with shareholders' equity of Rs. 18.5 billion as at September 30, 2013.

The bank reported a loss after tax of Rs. 3,950 million yielding a loss per share of Rs. 4.86 for the nine months ended September 30, 2013.

Post acquisition, the Bank carried out accelerated provisioning against its Non Performing Loans portfolio, which resulted in reduced profitability for the financial year 2013. Based on an external valuation carried out by an independent financial advisor, the intrinsic equity fair value of AKBL shares stands at Rs 20.92 as opposed to average acquisition cost of Rs 19.24 per share by FFC.

In view of substantial differences in the regulatory and reporting frameworks of FFC (a manufacturing Company) and AKBL (banking sector), operating in two different sectors, the Company has been allowed an exemption from consolidating AKBL's financial results for the year ended December 31, 2013.

The conditions of the waiver however require disclosure of AKBL's financial highlights including the Balance sheet, Profit & loss account and the Auditors Report for the year ended December 31, 2013, with the consolidated financial results of the Company

The Group's Consolidated financial statements and the Directors' Report were approved on January 29, 2014 whereas, AKBL's financial results and Auditors Report are expected to be finalized at a subsequent date because of pending regulations from SBP.

The Board of Directors of the Group has therefore approved the consolidated financial statements and the Directors' Report, with the condition that the aforementioned disclosure of information in respect of the Bank shall be included in the consolidated financial statements after their approval by the Bank's Board of Directors.

In addition, complete financial statements of AKBL alongwith the Auditors Report, shall also be made available at the Company's registered office at 156-The Mall Rawalpindi, for review by the shareholders, in compliance with SECP waiver conditions.

Al-Hamd Foods Limited (AHFL)

Management control of AHFL was acquired on October 3, 2013, and post acquisition, effective measures including injection of equity and financial arrangements have been taken to achieve commercial operations on a fast track basis.

The Company plans additional equity injection to the tune of Rs. 750 million for our expansion plans including Vapour Heat Treatment (VHT) and Controlled Atmosphere (CA) store, in addition to the core business of IQF food products and ready to eat meals.

JBT Food Tech (USA) and GEA Grasso (Netherlands), the main suppliers of processing equipment (OEM contractors), have been engaged to commence erection and commissioning of the plant. Award of contracts to potential local contractors for completion of buildings, roads and other civil works is also underway.

Audit Report of Subsidiaries

The respective Auditors' of FFBL, FFCEL and AHFL issued unmodified audit opinions on the financial statements of the companies for the year ended December 31, 2013.

Subsequent Events

The Board of Directors in their meeting held on January 29, 2014 is pleased to announce a final cash dividend of Rs. 4.00 per share i.e. 40% for the year ended 2013, taking the total payout for the year to Rs 15.35 per share i.e. 153.5%.

Meeting of the Board of Directors of FFBL was held on January 27, 2013, in which a final cash dividend of Rs. 2.25 per share i.e. 22.5% was declared. Total FFBL payout for the year thus stands at Rs. 5.00 per share i.e. 50%.

Risk Management

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 maximizing 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 associated with operating in a particular industry and are beyond our control.

II. Operational risks

These are risks associated with operational and administrative procedures, such as workforce turnover, supply chain disruption, IT system shutdowns, changes in Board structure or control failures.

III. Commercial risks

These risks emanate from the commercial substance of an organization. Cut down in an entity's market share, product price regulation or a new constitutional amendment posing adverse threat to the organization'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 fails to meet their contractual obligations, and arises principally from investments, loans and advances, deposits, trade debts, other receivables, short term investments and bank balances.

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 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 to assists in monitoring cash flow requirements and optimizing its cash return on investments.

Typically the Company ensures that it has sufficient cash on demand, including lines of credit, 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.

Risk Governance

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

I. Board and Committees:

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 & Remuneration 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.

Risk Management

Risk Ranking Matrix

Likelihood of Occurrence			Severity of Consequence: 1 Negligible	2 Low	3 Acceptable	4 Major	5 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

II. Policies & Procedures:

Board and its committees adopt a set of policies and procedures, promote a culture of ethics and values and delegate the authority to senior management for implementation of approved policies and procedures.

III. Control Activities

Senior management assess the risks and place appropriate controls to mitigate these risks.

IV. Performance Management

Through the continuous cycle of monitoring performance of the implemented controls to identify weaknesses and devising strategic plans for improvement, majority of risks are averted.

V. Internal Audit

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

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 High: 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 Moderate: Level of risk is acceptable within the risk management thresholds. Additional risk mitigation activities may be considered if benefits significantly exceed cost.

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.

Risk Level	Risk description	Mitigating strategy
Strategic risk		
Low	Technological shift rendering FFC's production process obsolete or cost inefficient	Balancing, modernization and replacements carried out at all the production facilities, ensuring our production plants are state of the art while utilizing latest technological developments for cost minimization and output optimization.
Moderate	Decline in international price of urea, forcing a local price fall	Maintaining healthy margins through cost minimization and output optimization strategies
Low	Over-diversification leading to inadequate management expertise for managing investments	Investing through a thorough diligence process critically viewing worst case scenarios of return on investment, taking account of management expertise and where required, bringing on board experts of the respective sectors.
Low	Investing in companies that yield insufficient returns, tying up shareholders' funds and impacting profitability	
Commercial risks		
Low	Strong market competition lowering demand for FFC's product	FFC combined with FFBL currently holds 45% urea market share, and continuous efforts are made to sustain production and maintain our market share.
Low	Outdated farming techniques employed by farmers leading to poor crop health and declining per hectare output	Provision of farm advisory services and establishment of Soil & Water Testing Laboratories, micro-nutrient and plant tissue analysis laboratories
Low	Variations in commodity prices of agricultural products negatively affecting liquidity of customers	Ensuring the provision of locally manufactured fertilizer at competitive rates lower than internationally prevailing market rates
High	Increasing production and distribution costs affecting pass through ability of the Company	Increasing levies on raw material and escalating pressure on fertilizer pricing by the Government cannot be controlled by the Company. FFC however is committed to improving operational efficiencies and cost optimization to mitigate this risk to the maximum extent possible.
Moderate	Supplies and untimely influx of urea imported by TCP	These variables are outside management control.
Operational risk		
Low	Turnover of trained employees at critical positions may render the operations incapacitated	FFC has a detailed succession plan and a culture of employee training and development, continuously promoting and rotating employees within the departments. Formal work procedures and work instructions are also in place to provide guidance regarding any process undertaken by a new employee.
High	Gas reserves depletion	Investing in alternate sources of raw material and power through coal fired boilers and multiple fuel cogeneration through Biomass, in addition to diversified business portfolio.
Low	IT security risk	State of the art IT controls are in place to prevent unauthorized access to confidential information. Regular IT audits and trainings are conducted to monitor and minimize the risk of breaches, errors or other irregularities.

Risk Management

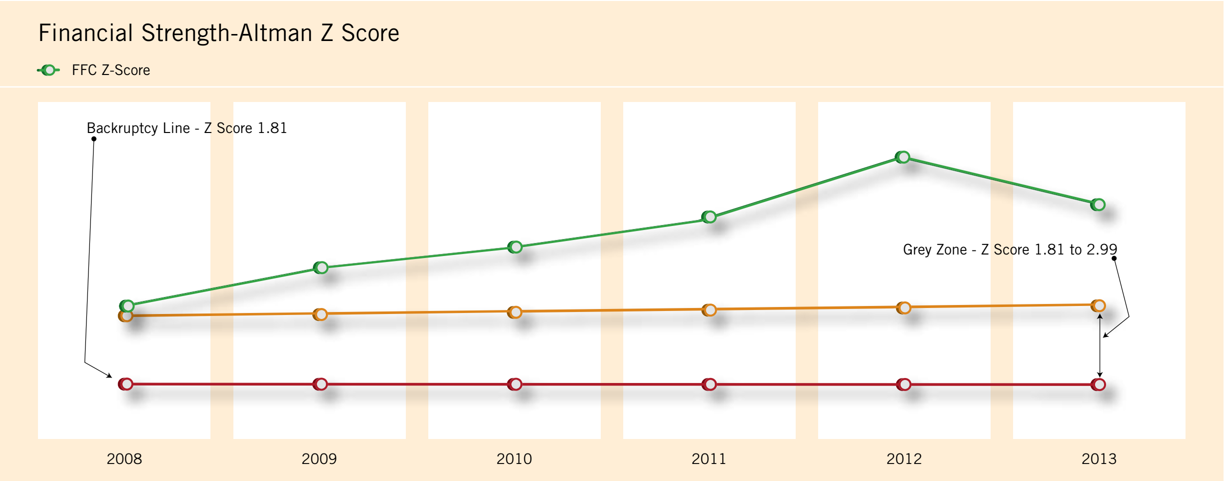
Risk Level	Risk description	Mitigating strategy
Low	Climatic uncertainties including floods, water scarcity and drought	FFC has established a disaster recovery plan that is implemented at all locations and the staff is fully equipped to quickly recover from a natural disaster
Low	Risk of major accidents impacting employees, records and property	Implementation of strict and standardized operating procedures, employee trainings, operational discipline and regular safety audits.
Financial Risk		
Moderate	Rise in KIBOR rates inflating the borrowing costs	A "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates, hedges the Company against this risk
Low	Default by customers and banks in payments to FFC	Most of our sales are either against cash or advance, providing adequate cover against this risk. 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.
Low	Insufficient cash available to pay liabilities resulting in a liquidity problem	Cash management system at FFC is proactive and adequate funds are kept available for any unforeseen situation. Committed credit lines from banks are also available to bridge a liquidity gap, if any.
Low	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.
Compliance risk		
Low	Modifications in the legal framework by regulatory bodies	Rigorous checks on latest updates in regulatory frameworks to prevent any breach of law. Trainings are conducted to keep the employees abreast of all latest developments in law and regulation.
Reputational risk		
Low	Loss of farmer confidence in the 'Sona' brand name adversely impacting sales	FFC has built its brand recognition through years of quality fertilizer supply in addition to direct relationship with the farming community and shall continue to strengthen this reputation through enhanced initiatives for farmer awareness through model crop farms, balanced fertilizer application and sustained product quality.
Political / economical		
Low	Volatile law and order situation affecting the Country's economy	This risk cannot be mitigated through internal strategies.
Low	Increased Government intrusion over price regulations and off-take monitoring	FFC regularly monitors the markets and follows the market prices trying its best to avoid any unnecessary price hikes. All price increases are based on prevailing market conditions as FFC does not follow the market leadership strategy.

Financial Strength - Z Scores

An analysis of FFC's financial strength using the Altman Z-Score reveals that at a score of 4.86, the Company is in the safe zone, well above the risks of bankruptcy. A score of 2 indicates risks of bankruptcy whereas the upper safety margin is 2.99. Any score above this indicates a healthy financial position.

		2008	2009	2010	2011	2012	2013
					(Restated)		
Working capital / Total assets	A	(0.07)	(0.08)	(0.06)	0.02	0.06	(0.12)
Retained earnings / Total assets	B	0.23	0.16	0.20	0.26	0.22	0.18
EBIT / Total assets	C	0.34	0.36	0.40	0.61	0.53	0.44
Market Capitalization / Total liabilities	D	1.48	2.74	3.09	3.86	4.27	3.34
Sales / Total assets	E	0.96	0.94	1.04	0.99	1.23	1.10
Z-Score*		3.26	4.03	4.56	5.86	6.08	4.82

*1.2xA + 1.4xB + 3.3xC + 0.64xD + 0.999xE



Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the relevant section of the financial statements.

Risk and Opportunity Report

(This report forms a part of the Directors Report - 2013)

Businesses inherently involve opportunities and risks. Effective management of opportunities and risks is therefore a key factor in sustainably safeguarding a company's value. Business success depends on the principle that the risks taken are managed and that they are outweighed by the opportunities offered.

At FFC, effective management forms an integral part of the governance system for timely identification, evaluation and handling of risks through planning, recording and audit systems. Fertilizer market dynamics bring new opportunities and challenges every day. Risks by nature contain a certain level of uncertainty which require us to be vigilant in identification of these risks for timely formulation of mitigating strategies. Major risks and opportunities which FFC can face are categorized below:

Risks

- Modifications in the legal framework by regulatory bodies including natural gas curtailment, axle load management, enhancement in various tariffs' and imposition of additional taxes
- Pricing pressures forcing cost cutting
- Market risks including fluctuation in commodity prices of agricultural produce affecting liquidity of customers
- Outdated farming techniques employed by the farmers leading to poor crop health and varying per hectare output
- Erratic variations in prices of agriculture produce creating a negative impact on liquidity of customers
- Climatic uncertainties including floods, water scarcity and drought
- Stagnant economy
- Volatile law and order situation
- Continuous increase in POL prices
- Increasing production and distribution costs putting pressure on profit margins
- Untimely and excessive influx of urea imported by TCP
- Varying international prices of Phosphatic and Potassic fertilizers
- Rising import bill due to devaluation of local currency

Opportunities

- High population growth rate of the Country necessitating food security. Fertilizer being the key input for crop production will increase as the demand for food rises
- Introduction and increasing usage of high yield hybrid seeds of various crops require enhanced fertilizer application
- Growth in demand due to increase in the farmers' product prices
- Further strengthening of dealer network to maximize our market share
- Off-shore urea marketing
- Exports

Plans and Strategies to Mitigate Risks and Capitalize Opportunities

Effective risk management consists of combining the capacity to prepare for risk with the ability to cope with the results and costs versus the probable benefit. Our plans and strategies to effectively mitigate the risks and capitalize on the opportunities are based on the following principles:

- Learning from the past
- Continuously gauging customer sensitivity
- Learning from others / surpassing "Best Practices"
- Scenario planning and sensitivity analysis
- Identifying market gaps
- Improving organizational learning

SWOT Analysis

S

Strengths

- Solid financial position
- State of the art production facilities
- Competent & committed human resource
- Well diversified investment portfolio
- Brand preference
- Well established distribution network

W

Weaknesses

- Fixed customer base
- Narrow product line
- Mature industry with clogged overall market share
- Unavoidable reliance on depleting natural resource

O

Opportunities

- Horizontal as well as vertical diversification
- Low customer bargain power
- Industry's resistance to recession
- Absence of substitute product
- Opportunity to export fertilizer
- Less potential for new entrants in the industry

T

Threats

- Depleting natural gas reserves & gas curtailment
- Availability of imported fertilizer at subsidized rates
- Deteriorating local currency
- Continuous increase in raw material/ fuel prices & Govt. levies
- Exposure to varied industry risks - diversified investments

Internal Audit

"Our focus has altogether changed from 'Compliance Audit' to 'Risk Based Audit'. This will enable the Internal Audit Function to play a proactive role in achieving business objectives."

Mr Mohammad Shuaib
Chief Internal Audit

Over past few years, changing business environment coupled with change in the risk landscape and higher stakeholder expectations has raised the role of an effective Internal Audit Function. Resultantly, the focus has altogether changed from "Compliance Audit" to "Risk Based Audit" approach to enable the Internal Audit Function to play a proactive role in achieving business objectives.

Considering the significance of above factors, the Board and the Management of FFC has given top priority to strengthen an effective Internal Audit Function, which could play a robust role in proving insight and objective assessments about existing internal systems and risks currently faced by the organization in financial as well as operational areas. Accordingly, special consideration was given in providing adequate resource and trainings to Internal Audit Function.

During 2013, Internal Audit Function placed special attention on system oriented assignments in financial as well as operational areas to provide objective assurance as to efficacy of systems in place. The approved Audit Plan for the year covered a number of continuing / special assignments relating to plant operations, finance, procurement, marketing, Corporate Social Responsibilities, IT etc. at all the location.

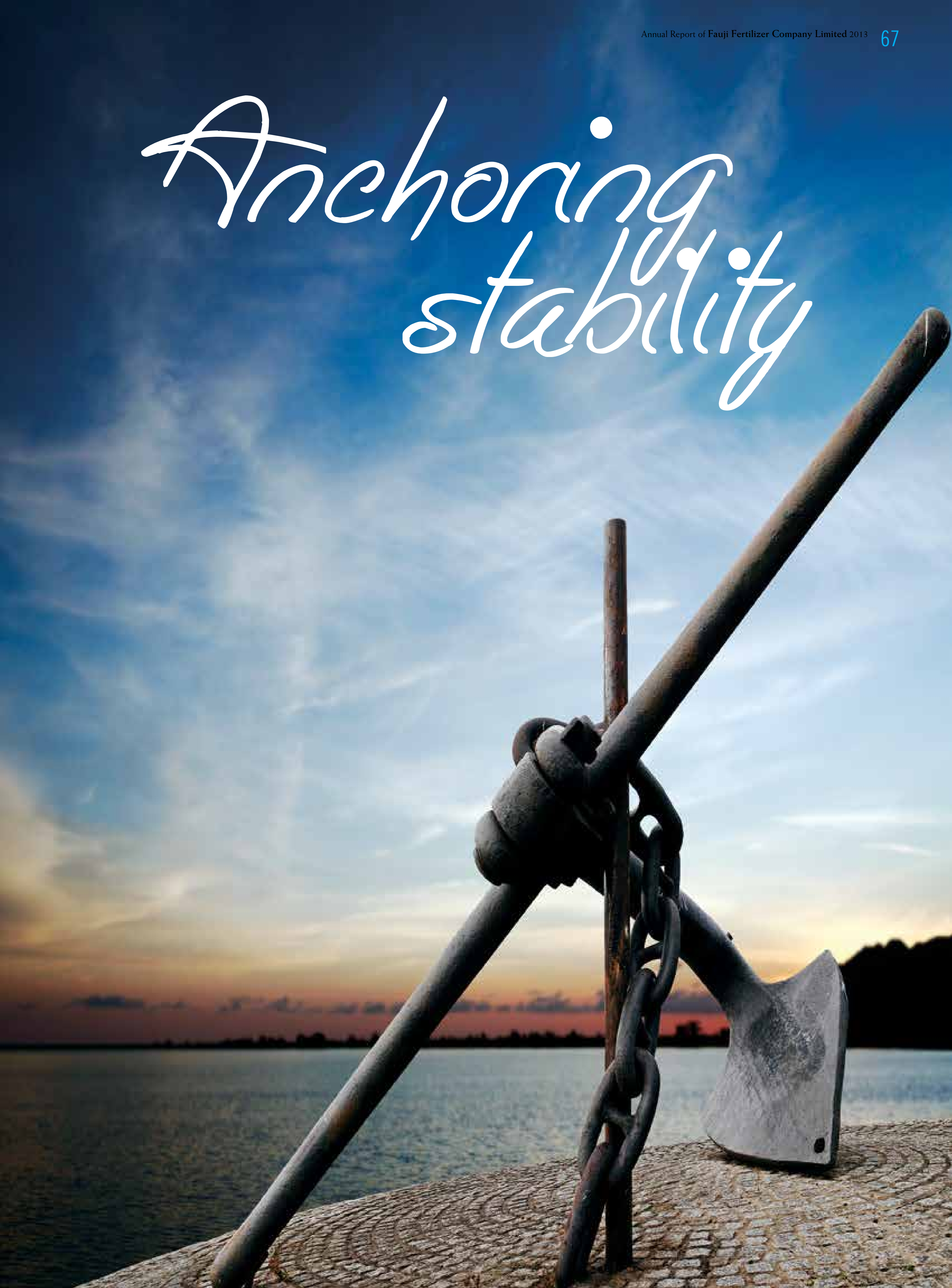
One of the biggest challenges, which the organization faced, was implementation of SAP-ERP system, which replaced old legacy system in 2011. Therefore, special focus was placed in evaluating the effectiveness and reliability of internal controls implemented in SAP-ERP for processing the information.

At the conclusion of every assignment, internal audit reports, covering areas requiring consideration and review for improvement along-with suitable recommendations, were forwarded to respective functional heads / CE & MD / Audit Committee in the larger interest of the Company.

Internal Audit is also acting as an advisor to the Management and other functions for streamlining systems in addition to ensuring effective implementation of Company's policies and suggesting procedures for revenue maximization and cost savings.

We appreciate other functions and the Management for execution and implementation of recommendations during the process of internal audit assignments.

Anchoring stability



Operational **Performance**

"Despite the challenges faced, we continued to strengthen our operational efficiencies, maintaining our position as the Country's leading fertilizer manufacturer."

Syed Iqtedar Saeed
Group General Manager
Manufacturing & Operations

The Company recorded aggregate 'Sona' urea output of 2,408 thousand tonnes with outstanding performance by all three plants, in line with last year and maintaining the highest standards of product quality, despite persistent gas curtailment, operating at 118% of the combined nameplate capacity of 2,048 thousand tonnes. These achievements were a result of extensive Balancing, Modernization and Replacements and the untiring efforts of our dedicated team.

Aggregate domestic production was recorded at 4,828 thousand tonnes, 50% of which was represented by FFC production. Total urea demand stood at 5,276 thousand tonnes and despite an improvement of 16% in indigenous urea output, the market faced urea supply shortfall of 22%.

Plant I & II

Operational performance of both the plants at our Goth Machhi plantsite remained efficient during the year producing 1,578 thousand tonnes of 'Sona' urea, an efficiency factor of 118% of design capacity.

The operating load was recorded lower by 8-10% on average at each plant due to natural gas curtailment enforced by the Government. Total urea production loss due to gas curtailment remained 75.3 thousand tonnes up to December 31, 2013.

Turnaround 2013

Maintenance turnaround of Plant 1 was successfully completed from February 25 to March 12, 2013. Production downtimes of Ammonia and Urea was curtailed at 388 hours and 355 hours respectively.

Balancing, Modernization and Replacements

Complete charge of the nickel-based Secondary Reforming catalyst was replaced after 31 years of operation.

The iron-based HTS catalyst was replaced after nine years of service owing to end of run conditions with higher carbon mono-oxide slippage.

The copper based LTS catalyst was replaced after five years of operations, against normal capacity of four years. The LTS catalyst replacement was planned last year in a short shutdown for this purpose. However, the same was technically evaluated and made possible during 2013's turnaround.

Carbamate ejector, is a specialized equipment in the high pressure section controlling the recycle flow. Existing ejector posing operational limitations during startups / low loads was replaced with a modified design ejector.

A leakage occurred at the BFW pre-heater which forced a plant shutdown and consequently inspection was carried out by experts from Force Institute, Denmark identifying 'Tube-vibration' at the gas inlet area as root cause of the incident. Preventive measures were implemented to avoid future incidents as per recommendations.

A CO2 pre-heater was installed on the feed line utilizing heat content from the plant's inter-stages. This increased CO2 final discharge temperature from 110 to 132°C utilizing waste heat energy and aiding urea formation in the reactor.

To improve ammonia disaster management capability, ammonia sensors have been installed at the boundary walls of FFC-GM. These sensors transmit wireless signals to HSE department by continuous monitoring of hazardous ammonia gas going out from plant-site or coming from nearby industries.

Main UPS system replacement

The main UPS system of Plant-I in the main control room was replaced for the first time since 1982. The replacement job was highly critical being the main backup for power supply to all the control systems.

Gas turbine, TG-702 rotor replacement and generator overhaul

The original gas turbines' rotors, installed in 1982, were replaced for the first time with a new spare rotor. The old machinery has been sent for assessment / refurbishment, and shall be installed at TG-701 in the next step.

Steering ahead

Synthesis compressor turbines, TK-431/432 overhaul

EMG turbine had a history of high vibrations, which had increased in the last few months. High vibrations were also observed in the WK turbine recently and a complete rotor replacement of both turbines was carried out.

TK-431/432 governor replacement

The existing hydro-mechanical governor was replaced with a modern electronic governor along with an independent electronic over-speed system due to obsolescence of the old system.

Plant III

Plant III delivered urea output of 830 thousand tonnes, establishing a new record of highest ever daily production of 2.3 thousand tonnes in June 2013. The Plant also achieved highest ever quarterly urea production of 211 thousand tonnes in the second quarter of the year in addition to half yearly output of 415 thousand tonnes in the first half of 2013.

Balancing, Modernization and Replacements

Maintenance of gas turbine, GT-703, was performed to address chronic issue of turbine tripping on account of high temperatures.

At Bagging & Shipping, an improved Rail Car Loader, ME-1425C, was commissioned and taken in service in May 2013. A total of two rail car loaders have been replaced till the end of 2013 and a further two are on order.

Conventional relay based control system of Water Treatment Plant has been replaced with a new distributed control system improving overall reliability of the plant.

Major repairs and revamping of cooling tower cells stacks was carried out in Jan-Feb, 2013 to improve their structural reliability.

Duplex type weighing machines controllable by a programmable logic controller (PLC) with higher speeds and accuracy were installed to replace the old weighing machines.

Ammonia Suppression System at Spheres used for blanketing the ammonia liquid spills in case of emergency was commissioned successfully after testing. The project shall improve the overall safety of the plant in case of ammonia disasters from spheres.

Energy conservation

Our commitment towards energy conservation measures improved the plant's energy index while offsetting the impact of gas curtailment. This year, specific energy consumption remained 6.20 Gcal/Met urea which is the lowest ever for FFC. The improvement in energy efficiency translates into gas bill savings of around Rs. 87 Million compared to last year.

Engineering *Services*

"We stand resolute in the pursuit of business sustainability via continuous improvement & diversification."

Mr Naeem Ur Rehman
General Manager
Engineering

FFC is committed towards continued engineering support for sustenance of productivity, while preserving and improving the finest standards of process safety & energy efficiency.

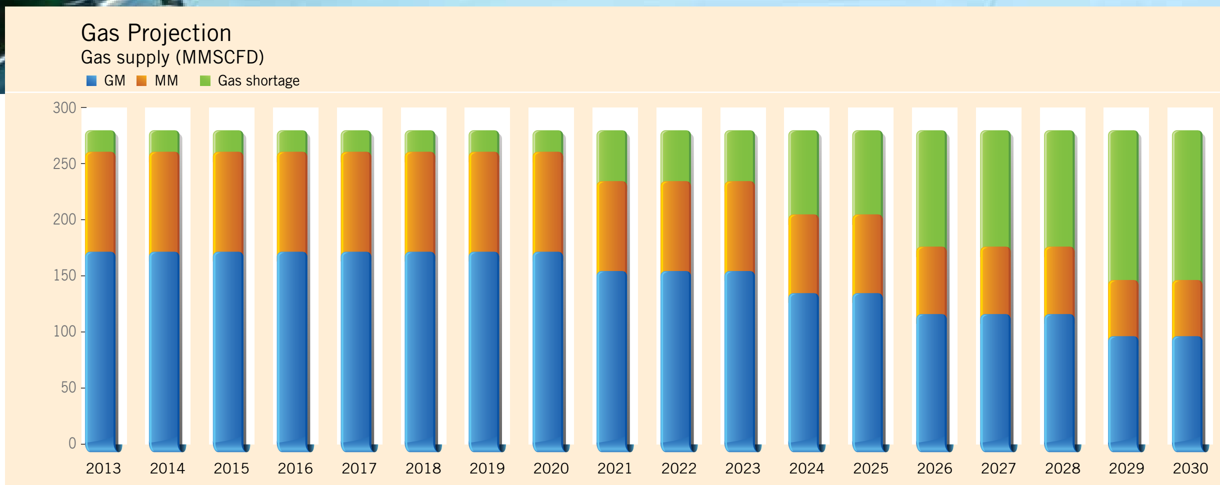
The exceptional performance of our plants, especially under the prevailing natural gas situation, is a testament to our endeavors. We aspire to continue our pursuit of engineering excellence by taking up new challenges and projects towards the best use of available resources.

Energy Conservation & Efficiency Enhancement

Natural Gas Compression Projects

In addition to gas curtailment, declining upstream natural gas pressure has been a major concern for production sustainability. To counter its immediate effects, a multi-phased approach has been adopted through installation of natural gas booster compressors. Four natural gas booster compressors have been installed at Plant I and II while installation of three additional engine driven reciprocating compressors is also being evaluated.

Installation of natural gas booster compressors is also in progress at Plant III in the presence of vendor representatives with expected project completion in early 2014.



Installation of Coal Fired Boilers

In the backdrop of gas shortages, FFC is evaluating the prospects of installation of coal fired boilers in phases as a substitute of natural gas for generation of steam for increased urea production. Requests for quotations for the project have been floated and installation of a circulating fluidized bed coal fired boiler is expected to commence by mid-2014. Upon the completion of this project, another coal fired boiler shall be installed at FFC's production facilities.

Plant-II Ammonia Reactor Basket & Catalyst Replacement

For enhanced plant efficiency, the S-200 is being replaced with state of the art 'S-300' Ammonia Reactor Basket for which, a Supply contract has been executed with HTAS for expected installation during Plant-II turnaround in 2014.

Plant-I Synthesis Gas Compressor Train Uprate

As per efficiency enhancement measures, Plant-I SYN machine upgrade is being considered to be undertaken in 2014.

Engineering Services

Plant-II Additional Cooling Tower Cell

Plant-II cooling tower becomes a bottleneck in summers resulting in high energy index at high loads. An additional cooling tower cell is therefore planned.

Apart from energy conservation, addition of this cell would help improve plant capacity factor especially in peak summers. Procurement for the project is expected to commence in 2014.

Plant-III Cooling Tower I/J Cell Efficiency Enhancement

To enhance the cooling efficiency of Tower E-800 I/J, a return path modification in cooling water was implemented.

New Inter-Stage Separator for CO2 compressor

In order to resolve CO2 compressor's (K-101) frequent seal damage problem, new high efficiency inter-stage separator, V-113 was successfully installed during plant shutdown in March 2013.

Troubleshooting

Ammonia pumps, P-101A/B were uprated in DBN however, tripping on over-speed remained a problematic area since the uprate. An innovative speed lowering logic was implemented in DCS that has eliminated the tripping problem without any compromise on machine safety.

Product Quality Improvement

(Installation of Vibro-Priller at Plant-I)

In order to reduce urea dust generation and improve the quality of prilling, a Vibro Priller was installed at Plant II & III and based on their successful commissioning, the Priller was also installed at Plant-I in Nov 2013.

Services

Our Engineering Services Department has long been projecting FFC's international image for distinguished business performance & technical excellence. Contributions during 2013 included both local and offshore services for:

1. Plant Turnaround services to Al-Bayroni Fertilizer Co-Saudi Arabia
2. Annual turnaround of Saudi Arabian Fertilizer Company (SAFCO)
3. Trainings of 75 participants from the State Company of Fertilizers (SCF) Iraq at Technical Training Center - Goth Machhi.
4. Technical orientation provided to engineering professionals from the Gulf Petrochemical Industries Co (GPIC) Bahrain.
5. Annual training of fresh batches of engineers of United Energy Pakistan (formerly British Petroleum Pakistan)
6. Various technical services, provided to Sadaf Petrochemicals Company KSA, Ibne Sina Methanol Company KSA, Dar al Riyadh, OMV Pakistan etc.

Sailing smoothly

Occupational Health and Safety

Integrated Management System

Prerequisites for the implementation of Integrated Management System at FFC Head Office & RM Office Karachi were completed in 2013. This includes finalization of mandatory documentation, informal and formal internal audits to check compliance of the system followed by management review meeting chaired by CE&MD.

IMS pre-certification stage-1 audit of FFC-HO was successfully conducted by Bureau Veritas in December 2013.

Occupational Health & Safety (OHS)

At FFC, we are committed to maintain a safe and healthy working environment for our employees. Our approach to OHS is proactive and oriented toward long term development; inculcating safety culture through training, incentives, and effective OHS management system. We ensure that occupational safety is upheld by contract workforce through Code of Conduct for contractors. Health management at FFC goes beyond legal requirements and involves strengthening our employees' physical, mental and social well-being.

To decrease the overall environmental footprint of our plants, a purge gas ammonia recovery project and an upgraded waste water treatment facility is being evaluated at Plant I.

On account of health hazard of chlorine gas used for microbiological treatment of cooling water, a hypo-chlorite is being procured as a safer alternative under the international standards for Plants I & II.

OHSAS 18001:2007 and ISO 14001:2004 international standards

were successfully accomplished in October 2013 for our Goth Machhi production facilities.

Re-certification of Quality, Occupational Health & Safety and Environmental Management Systems under the requirements of ISO 9001:2008 was successfully arranged during the year for Plants I & II.

2.15 million Man-hours of safe operations were also achieved as of December 31, 2013 through employees' commitment and safety first strategy. Integrated Management System (IMS) was also recertified by Bureau Veritas, after audit in November 2013.

A team comprising of engineers from all disciplines has been formed to undertake 1st PHA (Process Hazard Analysis) study of Plant III to assess the existing risk level by examining the existing controls, new hazards introduced through process changes and procedures. Based on this study, required mitigation measures shall be recommended which enhances the safety of plant and fulfills one of the Process Safety Management (PSM) requirements.

FFC's dedication and contribution towards health, safety and environment has also been indicated in other relevant sections of the report including the CSR / Sustainability section.

Health, Safety and Environment (HSE) Applications – Occupational Health & Safety

Recognizing the importance of HSE, FFC has developed a web based solution to centralize, streamline and standardize occupational health and safety (OH&S) data management across the organization's operations.

The system is developed on a distributed architecture scaling down to meet increasing data requirements while providing a secure and rich user experience. The interface assists end users in performing day-to-day OH&S related tasks with minimal guidance.

Workflow engines available in the system then routes the OH&S process documents for review / approval and notifications / alerts are generated through email. Centralized reporting on real time data provided by the system assists in timely decision making and compliance with OH&S standards.

Market Overview

"With our plans and innovations in motion, we are motivated by our will to deliver and adapt to the market's needs. We continue to consistently deliver quality that has established the 'Sona' brand name."

Mr Mohammad Munir Malik
Group General Manager
Marketing

International Fertilizer Market

Following a 0.6% increase in 2012, World fertilizer demand in 2013 remained stagnant at 178.5 million tonnes, despite strong agricultural market fundamentals. The demand contracted by around 7.4% in South Asia as a result of unfavorable weather and downward revision of the subsidy rates for potassium and phosphorus fertilizers in India. Modest retreats were witnessed in Oceania and North America, which were offset by increase in the other parts of the world.

The downward trend in international urea prices continued in 2013 as prices dropped from US$ 395 thousand tonnes FOB Ex-AG at the start of the year to US$ 330 thousand tonnes at the end of 2013 after hitting the bottom at US$ 285 thousand tonnes in September 2013.

The international DAP market remained bearish as the weakening Indian Rupee made it difficult for India to import large quantities of DAP. This forced manufacturers to decrease prices in order to liquidate their inventories.

The outlook for 2014 however is encouraging and is forecast to rise by 1.8% to 181.7 thousand tonnes. Demand for the other three major fertilizer types is also anticipated to increase in the next year.

Domestic Fertilizer Market

The year 2013 witnessed a shortage of fertilizer availability in the domestic market because of continued gas curtailment resulting in production losses, and the gap had to be filled through expensive imports.

Industry urea output of 4,828 thousand tonnes was recorded in 2013 against an installed capacity of around 6.9 million tonnes, resulting in a significant demand supply gap.

Urea off-take during the year however improved by 13% to 5,903 thousand tonnes as compared to last year due to significant increase in market activity which was a result of better profit margins and good crop support prices. The Government

imported a total of 969 thousand tonnes of urea, 17% lower than the same period of 2012. The imports in 2013 included 268 thousand tonnes received from Saudi Arabia under the SABIC long term loan facility to cover the supply demand gap.

The year started with an inventory of 434 thousand tonnes which was the highest level in the last 29 years. However, the improvement in urea offtake during the year resulted in a closing urea inventory of 317 thousand tonnes at the close of 2013, 27% lower as compared to the end of same period last year.

The increase in the price of gas used as feed stock and GST by 1% to an aggregate of 17% by the Government, resulted in increased prices of urea and locally manufactured DAP for the end users.

DAP

Indigenous DAP production by FFBL during the period was recorded at 744 thousand tonnes with an improvement of 15% over last year whereas DAP imports are estimated at 869 thousand tonnes with an increase of 43% over last year.

The increase in awareness of the farming community regarding benefits of DAP coupled with low DAP price, improved the DAP off take vis-à-vis last year by 42% to 1,681 thousand tonnes.

The closing DAP inventory for 2013 decreased by 36% as compared to 2012, at an estimated 100 thousand tonnes.

FFC Marketing

FFC Marketing Group is a blend of seasoned and energetic marketing professionals, dedicatedly working to create and enhance value for their customers. The Group has also been at the forefront of establishing FFBL, as one of the key players in the fertilizer market of the Country by providing a comprehensive distribution and marketing support.

FFC Urea sales in 2013 were 2,409 thousand tonnes; almost the same as in 2012. Imported DAP sales are estimated at 73 thousand tonnes against 67 thousand tonnes last year, in addition to 8 thousand tonnes SOP and 241 tons Sona Boron in 2013.

Marketing of Sona Urea (Granular) on behalf of FFBL at 226 thousand tonnes was 19% lower than last year

Market Overview

due to production losses caused by extended gas curtailment. FFC also sold 773 thousand tonnes of Sona DAP produced by FFBL which was the highest level achieved by the company through its widespread dealer network despite tough competition in the local market.

FFC achieved a combined market share of 45% in urea, 6% lower than the market share of last year because of lower sales of Granular urea. The combined market share of DAP was 50% with negligible closing inventory.

Through our Agri services, FFC marketing group have been continuously inducing changes in agriculture production and are highlighting the importance of rapid and efficient transfer of advance knowledge to farmers for sustainable economic growth of the Country. Without an efficient agriculture sector, our Country is severely constrained in the ability to feed its people, leading to import of foreign products for domestic consumption and development.

Product wise Sales Performance

- Sona Urea (Prilled) sales for 2013 were recorded at 2,409 thousand tonnes with marginal improvement of 10 thousand tonnes compared to 2,399 thousand tonnes during the corresponding period of last year.
- Sona Urea (Granular) sales stood at 226 thousand tonnes, 19 % lower as compared to 279 thousand tonnes marketed during 2012 due to production constraints.
- Sona DAP sales during Jan-Dec 2013 were 773 thousand tonnes, 27% higher as compared to 611 thousand tonnes sales during the same period of 2012.
- FFC DAP sales of 73 thousand tonnes with an improvement of 9% over 2012.
- Aggregate urea sales of 2,635 thousand tonnes which were 2% lower as compared to 2,678 thousand tonnes during the same period of last year.
- Sona DAP sales of 773 thousand tonnes and aggregate DAP sales of 845 thousand tonnes during the year which was the highest level ever achieved by the Company through its widespread dealer network despite tough competition in the local market.
- FFC SOP sales of 8 thousand tonnes compared to 6 thousand tonnes during the same period last year.
- Aggregate urea market share is stood at 47% (Source: NFDC).
- Combined DAP market share for 2013 is 51% (Source: NFDC).

Province wise sales Performance

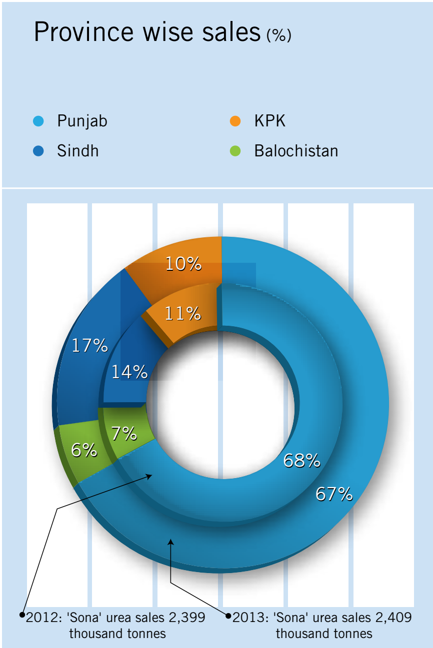
Punjab

Sales during 2013 were mainly concentrated in Punjab, being the largest consumer of fertilizer in the Country. 1,614 thousand tonnes of 'Sona' urea (prilled), representing 67% of our sales during the year were sold in the Province against 1,625 thousand tonnes in 2012.

Aggregate 'Sona' urea sales amounted to 1,787 thousand tonnes, 68% of total sales, while 602 thousand tonnes of 'Sona' DAP were sold in the Province representing 78% of total quantity sold.

Sindh

409 thousand tonnes of 'Sona' urea (prilled), representing 17% of total sales for 2013, were made in Sindh, the second largest consumer of fertilizer. This represented



an increase of 21% compared to 337 thousand tonnes sold in the Province last year.

Aggregate 'Sona' urea sales in Sindh stood at 456 thousand tonnes while 107 thousand tonnes of 'Sona' DAP were sold in the province. This represents 17% and 14% of aggregate 'Sona' urea and DAP sales for the year.

Khyber Pakhtunkhwah

'Sona' urea (prilled) sales in Khyber Pakhtunkhwah were recorded at 246 thousand tonnes compared to 270 thousand tonnes last year. The Province recorded a share in overall sales of 10% compared to 11% in 2012.

Aggregate sales of 'Sona' urea and 'Sona' DAP in the Province represented 9% and 6% of total quantities sold respectively.

Balochistan

Balochistan contributed to 6% of total sales (prilled) compared to 7% last year. Total 'Sona' urea sold during the year in Balochistan amounted to 140 thousand tonnes which was 16% lower than last year.

Aggregate 'Sona' urea sales amounted to 144 thousand tonnes, 5% of total sales, while 21 thousand tonnes of 'Sona' DAP were sold in the Province representing 3% of total quantity sold.

Procedures Adopted for Quality Assurance / Consumer Protection

- Standard weight of fertilizer bags is ensured.
- Regular quality analysis of product samples is performed on the following parameters:
    - Average Prill Size, mm
    - Biuret, wt%
    - Moisture, wt%
    - Crushing Strength, gm
    - Total Fines, wt%
- Utilizing the industry's best packing quality that ensures weight, quality and nutrient protection.
- In order to control dumping, malpractices and pilferage of the product, special colored stitching thread is used, which is changed after a specific time.
- Our extensive dealer and warehousing network ensures that the product is delivered at the doorstep of our customers throughout the country.
- Well trained field officers employed at established and strategically located regional / district offices efficiently handle customer complaints and simultaneously provide guidance to consumers.
- Customers are provided business related information regularly so that they remain abreast with latest developments in the fertilizer market.
- Regular "Customer Satisfaction Measurement Surveys" are conducted to get feedback from our dealers.
- Broad based Agriculture Extension Services are provided to the farmers of the country through fourteen regional offices and five independent Farm Advisory Centers located throughout the country.

Human Capital

"We connect our employees to the organization's vision and values allowing them to take pride in their job and the organization."

Brig Tariq Javaid (Retired)
General Manager
Human Resources

The Management of FFC is committed to induct and retain talented and innovative professionals through a transparent and competitive process while complying with legal and ethical practices and FFC code of conduct, maintaining its resolve to be an equal opportunity employer.

FFC's Human Resource (HR) strategy is focused on organizing and developing a mature and dynamic Human Capital Management (HCM) system which should be able to handle the diverse market challenges efficiently. We are focused to keep pace with the rapidly changing environment through evolution and improvement of systems and practices. It has been our earnest endeavor to maintain a transparent and competitive culture in the Company to enable balanced growth of our employees based on merit and competence.

To further enhance our efficiency, Human Capital Management (HCM) module of SAP is being utilized to automate systems and provide seamless operations. We have also taken the initiative to streamline our policies and SOPs and automate employee data through state of the art ERP solution (SAP) making them more objective and efficient.

Business ethics & anti-corruption measures

FFC ensures ethical compliance with all regulatory and governing bodies while conducting its operations. Implementation of the code of ethics is one of our strategic goals and remains the prime mover for all our functions and activities.

Salient features of the Code of Conduct:

- Conduct 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 ones position to 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 matter should be reported.
- Refrain from businesses or dealings conflicting with Company's interests.
- Confidentiality of Companies sensitive information by directors and employees of the Company.
- Discourage any kind of discrimination among the employees.

Employment of special persons

The Company considers it a social and moral responsibility to accommodate special persons, it goes great lengths in ensuring there are ample opportunities for their hiring and retention. We make extra efforts to train them to be able to compete with others and provide them equal incentives for career growth and development. Further, health care and other allied facilities required for the optimum performance of such individuals are addressed on priority with due consideration to their disabilities.

Career Management

Career management of the employees is one of the most crucial and important function of HR. In order to maintain a competent, well groomed and efficient workforce, HR works through a comprehensive annual career development plan for the employees. We plan and offer a number of opportunities for both inland and foreign training to keep our employees updated on the latest trends and to equip them with modern tools to organize and manage their responsibilities efficiently.

To develop our employees' profiles, we also regulate cross functional training and job rotations of our employees for multi-dimensional exposure and learning of additional skills. To gauge the efficiency and potential of our employees, we have an objective annual performance evaluation system which is monitored and rationalized at different tiers to ensure transparency and also help the Company identify employees who can be groomed and trained for future key leadership responsibilities.

Human Capital

Retention

FFC has always been an attractive employer due to its congenial working environment, merit oriented growth / development, comprehensive health care and safety and attractive post-retirement benefits. FFC has always endeavored to look after the welfare of its employees both in service and post-retirement and takes pride in being one of the best in the contemporary market. The success of FFC's retention strategy and the dedication of our employees is apparent from a 95% retention that has consistently been maintained over the years. Total number of persons employed by FFC as at December 31, 2013 stood at 2,516.

Succession Planning

FFC not only attracts the best talent in the Country but also grooms and develops their abilities for future leadership roles. The organization believes in empowering people by providing them with challenging opportunities to enhance their potential and develop their abilities.

The Company has formulated a comprehensive succession plan for sensitive and critical positions to ensure operational continuity and grooming of our talent for subsequent elevation to higher assignments. Succession plans are revised periodically in line with the company business needs and career development of employees

Employee Benefits

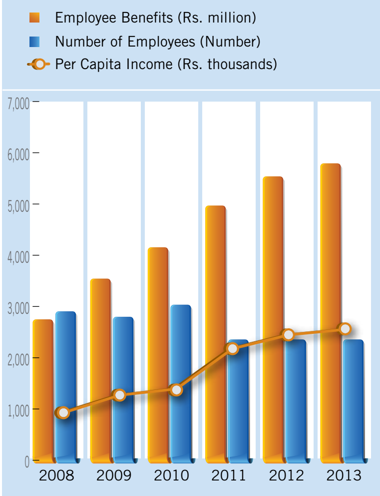
We value our employees and their contribution toward the Company's success. Our employee benefits are continuously updated in line with industry benchmarks incentivizing our employees and driving their performance, thus enhancing employee motivation and retention. The total employee cost for the year, comprising of salaries, wages and benefits amounted to Rs. 5,755 million, 5% 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

FFC not only takes care of its employees while they are working with the Company but also looks after them after their retirement. Multiple retirement benefit plans are in place to take care of outgoing employees, through which a total of Rs. 298 million was paid to the outgoing employees during the year, 5% higher than last year. Fair value of assets of retirement benefit funds of the Company were valued at Rs. 3.5 billion, showing an increase of Rs. 302 million compared to last year.

Number of Employees & Employee benefits



harbouring ambition

Corporate Governance

"Good Corporate Governance entails a transparent view into the organization for the stakeholders and prospective investors - knowing that business judgments are made on intellectually honest basis and through the application of care and skill."

Brig Sher Shah, SI(M) (Retired)
Company Secretary

FFC's Board of Directors emphasizes on maintaining high governance standards across the Company. Being collectively responsible for the Company's vision and strategic direction and its values, the Board is accountable for business performance and long-term success of the Company.

Within a framework of internal controls, the Board provides leadership necessary for the Company to meet its performance objectives and achievement of core values.

Generally accepted best practices have been implemented in addition to stipulated criteria and voluntary standards, with demonstration of highest levels of moral and ethical values, in addition to decision making based on honesty and responsibility in keeping with business sense, through a top-down approach, flowing downwards to all individuals either serving or closely associated with the Company.

Transparency in our operations and business decisions is prioritized with an equal importance to corporate accountability.

Corporate Governance exists at the very core of our policies for structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and the suppliers. Adherence to the best ethical practices and compliance with applicable legal and regulatory requirements is ensured in a manner that is environment and people friendly and supports the local community needs.

Best Corporate Practices

Understanding that good corporate governance is an essential pre-requisite for the integrity and credibility of any company, building confidence and trust by ensuring fairness and accountability; we surpass the minimum legal requirements for good corporate governance. Our Board has laid down solid foundations, which are reviewed and updated periodically, of oversight and management of the Company, through establishing a clear division of responsibilities between the Chairman, the Board and the CE&MD, recognizing respective roles of the Board and Management, and establishing an effective ethics and compliance framework.

Periodic Financial Reporting

Periodic financial statements of the Company during 2013 were circulated to directors, duly endorsed by the CE&MD and the Chief Financial Officer. 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.

Collective decision making

Consensus is sought during Board proceedings and where required, voting by the majority is taken into account. Concerns of the members of the Board on any agenda point are duly recorded in minutes of the proceedings.

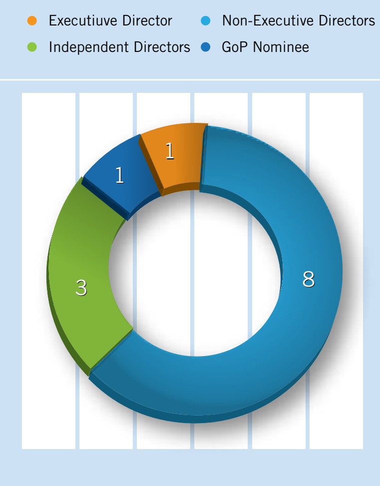
Composition of the Board of Directors

Legal and regulatory framework defines parameters regarding qualification and composition of the Board of Directors to ensure maximum transparency, informed decision making and smooth running of the business. 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.

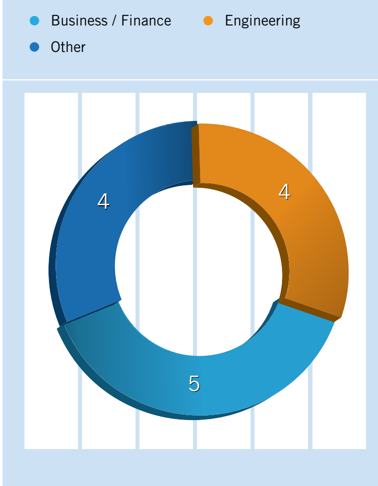
The Board consists of 13 directors, effectively representing the interest of shareholders including minority holders. There are 12 non-executive directors and only 1 executive

Corporate Governance

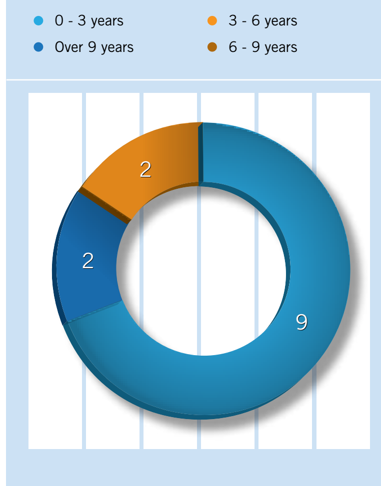
Balance of Non-Executive & Executive Directors



Directors Qualification



Directors Tenure



director, which surpasses the legal requirement of 25% representation by non-executive directors.

Balance, Diversity & Core Competencies

The Board comprises highly qualified professionals from diversified disciplines to ensure effective and efficient decision making. It includes professionals from the Armed Forces, engineering, commerce, Government and the financial sector, to form an excellent combination of experience and expertise to run the affairs of the Company. Representation by both the genders is encouraged on FFC's Board of Directors.

Detailed profiles of the Board have been included in a separate section of this report.

Independence

Non-Executive Directors on the Board have not previously been involved in the Management of the Company and are free from any business or other relationships that could interfere materially with, or appear to affect, their judgment.

Conflict of Interest among BOD members

Any conflict of interest is managed as per provisions of the Ordinance and rules and regulations of SECP & Stock Exchanges.

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 standardization, 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.

Role & responsibilities of Chairman & CE & MD

Roles and responsibilities of the Chairman and the CE&MD have been clearly and distinctly defined by the board and have been formally documented. The Chairman represents the non-executive directors of the Board and is entrusted with the supervision of the Board's proceedings.

Name of Director	Meetings Held	Meetings Attended
Lt Gen Muhammad Mustafa Khan, HI(M) (Retd)	6	6
Lt Gen Naeem Khalid Lodhi, HI(M) (Retd)	6	6
Mr Qaiser Javed	6	6
Dr Nadeem Inayat	6	6
Mr Jorgen Madsen	6	3
Brig Dr Gulfam Alam, SI(M) (Retd)	6	5
Engr Rukhsana Zuberi	6	6
Mr Farhad Shaikh Mohammad	6	5
Brig Parvez Sarwar Khan, SI(M) (Retd)	6	6
Mr Khizar Hayat Khan	4	4
Mr Manzoor Ahmed	4	2
Maj Gen Nasir Mahmood, HI(M) (Retd)	2	2
Mr Alamuddin Bullo	2	0
Brig Agha Ali Hassan (Retd)*	0	0
Mr. Agha Nadeem*	1	1
Mr. Shafqat Hussain Naghmi*	0	0
Mr. Wazir Ali Khoja*	2	2
Maj Gen Zahid Parvez (Retd)*	4	3
Mr. Shahid Aziz Siddiqi*	4	2

*Brig Parvez Sarwar Khan, SI(M) (Retd) appointed as Director in place of Brig Agha Ali Hassan (Retd) w.e.f 01-01-2013.
*Mr. Shafqat Hussain Naghmi appointed as Director in place of Mr Agha Nadeem w.e.f 26-02-2013.
*Mr. Khizar Hayat Khan appointed as Director in place of Mr. Shafqat Hussain Naghmi w.e.f 09-04-2013.
*Mr. Manzoor Ahmed appointed as Director in place of Mr.Wazir Ali Khoja w.e.f. 23-05-2013
*Maj Gen Nasir Mahmood, HI(M) (Retd) appointed as Director in place of Maj Gen Zahid Parvez, HI(M) (Retd) w.e.f. 01-08-2013.
*Mr. Alamuddin Bullo appointed as Director in place of Mr. Shahid Aziz Siddiqi w.e.f. 19-09-2013.

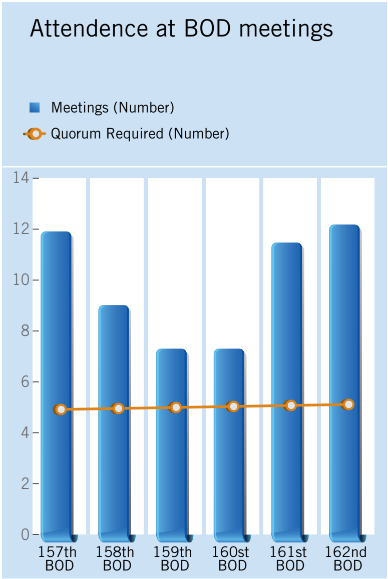
Chief Executive Officer is an executive director who also acts as the head of the Company's Management in the capacity of Managing Director. Authority for implementing the Board's policies is delegated to the Managing Director within limits defined by the Board.

CE&MD Performance Review

Appointment of the CE&MD 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.

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.



Corporate Governance

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 subsequent Board meetings.

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

All meetings of the Board had attendance more than requisite quorum prescribed by the Code of Corporate Governance and were also attended by the Chief Financial Officer and the Company Secretary.

Training of the Board

Each member of the Board at FFC is subject to orientation and training for enhancing their management skills. During the year, apart from local orientation courses and training sessions, Directors of FFC were sent abroad for trainings 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.

In line with Code of Corporate Governance, Directors' Certification program is being arranged through an SECP accredited institution.

Changes to the Board

During the year, five of our fellow Board members retired and we would like to record our appreciation for the invaluable contributions made by Brig Agha Ali Hassan (Retd), Mr Agha Nadeem, Mr. Wazir Ali Khoja, Maj Gen Zahid Parvez, HI(M) (Retd) Mr. Shahid Aziz Siddiqi and Mr. Shafqat Hussain Naghmi during their tenure as Board members.

We would also like to welcome Brig Parvez Sarwar Khan, SI(M), Mr. Khizar Hayat Khan, Mr. Manzoor Ahmed, Maj Gen Nasir Mahmood, HI(M) (Retd) and Mr. Alamuddin Bullo as fellow members on the Board. 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 organization and to generate new ideas for progress and improvement.

Systems for ensuring ethical practices

Over time, the Company has undertaken diagnostic self-assessment of Company risks relating to conformity with rules and organizational objectives, with high standards of values and ethical conduct for always choosing the right way at the right time. Confidence and trust form the core of all business between individuals and entities, impacting an organization's reputation, and ultimately, its financial performance. Upholding the highest standards of ethical behavior is therefore a driver of business growth.

At FFC, we ensure ethical behavior in all aspects of business conduct and decision making. Code of Conduct and ethical principles have been formulated and disseminated to all our employees in compliance with the Code of Corporate Governance. Proper systems and controls are in place for identification and redress of grievances arising as a result of any unethical practice.

Shareholders' engagement

The frequency of engagements is based on business and corporate requirements as specified by the Code of Corporate Governance, or as contracted, under defined procedures with the following:

- Institutional Investors
- Customers & Suppliers
- Banks and other lenders
- Media regulator

Board's Performance

The Board has designed a mechanism for performance evaluation by setting collective goals for the year and evaluating the performance of the Board vis-a-vis these goals.

The evaluation methodology encompasses the evaluation of the Board as an entity. The annual review of the Board is aimed at evaluation in the following:-

- Board composition
- Skill and experience
- Board functions
- Controls / monitoring
- Statuary obligation
- Corporate Governance
- Operational performance
- Financial Management
- Risk Management
- Business development
- Human Capital Management

Directors' Compliance 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

Corporate Governance

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
- Statement of value of investments in respect of employees' retirement plans has been given in note 11 of the financial statements

Whistle Blowing Policy

In order to ensure accountability and integrity in our conduct, we have devised a transparent and effective whistleblowing mechanism for sounding of alerts against deviations from policies, controls, applicable regulations, or violation of the code of professional ethics / conduct.

The whistle blowing mechanism is applicable to all employees, management and the Board, and extends to every individual associated with the Company including contractors, suppliers, business partners and shareholders etc., who can participate effectively and in confidentiality, without fear of reprisal or repercussions. The employees are required to report concerns directly to immediate supervisors. However, where reporting to supervisors is impracticable, the level may be raised to the senior management.

The policy has been designed to encourage all stakeholders to raise questions and concerns, monitor the progress of resultant inquiries, provide feedback and where required, also voice concerns against any unsatisfactory inquiry or proceeding.

The Policy covers unethical conduct, offence, breach of law or failure to comply with legal obligations and possible fraud / corruption. Due emphasis has also been placed on health, safety and environmental risks. Inappropriate or malicious reporting leading to wrongful convictions have been specifically forbidden, with clear definition of consequences for the persons making wrongful accusations.

No material incidence was reported to the Audit Committee during the year regarding improprieties in financial, operating, legal or other matters. All minor events requiring management's attention were duly addressed with dissemination of messages across the Company for avoidance of such incidents in the future.

Directors' Remuneration

FFC has established formal and transparent procedures for fixing the remuneration packages of individual directors. As per these procedures and in compliance with legal requirements, no director is involved in deciding his/her own remuneration.

The Directors' remuneration packages affixed at FFC encourage value creation within the Company. These are subject to prior approval of shareholders as per the requirements of the regulatory framework and internal procedures. Levels of remuneration are ensured to be appropriate in order to attract and retain directors needed to govern the Company successfully. However, it is ensured that remuneration levels set are not at a level that could be perceived to compromise the independence of non-executive directors at FFC.

Trading in shares by Directors and Executives

Executives of the Company traded in a total of 266,961 shares of FFC during the year. Besides this, no other trading was conducted by the Directors, executives and their spouses and minor children.

Review of Related Party Transactions

In compliance with the Code of Corporate Governance and applicable laws & regulations, details of all related party transactions are placed before the Audit Committee and upon recommendations of the Audit Committee, the same are placed before the Board for review and approval.

Our Approach to Materiality

In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company.

Powers of the Board of Directors and the Management of the Company have been defined with special reference to, and in compliance of the Companies Ordinance, 1984, the Code of Corporate Governance, the Articles of Association of the Company, guidelines and frameworks issued by professional bodies and best practices.

The Board powers include approvals for capital expenditure, disposal of fixed assets, annual business plans, policy formulation, risk management, human resource management, donations, matters relating to health, safety and the environment, and other matters required by law, or internal policies.

Determination of materiality levels, other than those provided under the regulations, is judgmental and varies between organizations. Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes. Materiality levels are reviewed periodically and appropriately updated.

Auditors

A.F.Ferguson & Co. Chartered Accountants have completed the annual audit for the year ended December 31, 2013, and have issued an unqualified audit report. The auditors will retire on the conclusion of the upcoming Annual General Meeting of the Company, and being eligible, have offered themselves for reappointment for the year ending December 31, 2014.

FFC Website

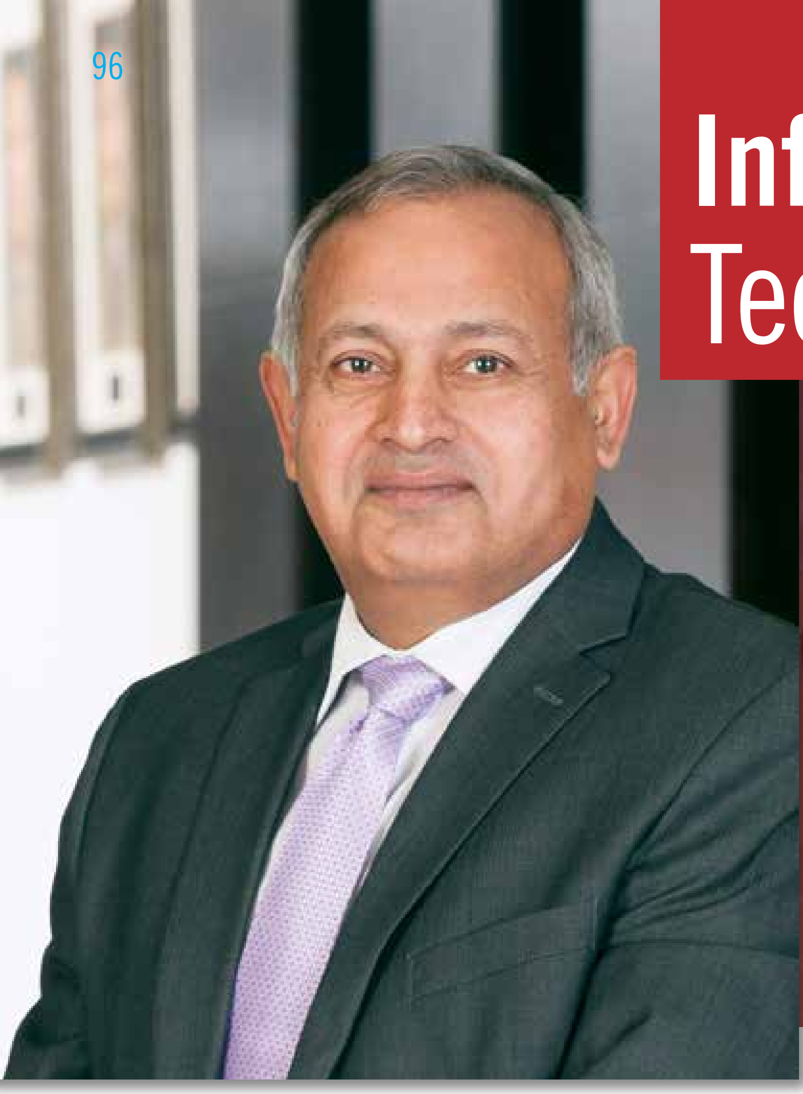
FFC Website has an Investors Relations section since its launch, providing comprehensive information and historical data on dividend payouts, bonus shares, board meetings, Company financials and contains downloadable published Annual, Half Yearly and Quarterly financial statements of the Company.

Analyst Briefing

In order to keep the stock market and potential investors' updated on Company operations and performance, the Company regularly engages with analysts through meetings and answering their calls, with due regard to the regulatory requirements on inside information and / or insider trading, to avoid any negative impact on the Company's reputation or the share price.

All quarterly, half yearly and annual financial and operating results, Board's reviews and analysis, in addition to material plans and future outlook are circulated to the stock exchanges in addition to placement on the Company's website in a timely manner, including any developments which may impact the Company's share price.

Information Technology



"As our Company grows, so do our Information Technology needs. Looking ahead, we compete not only with our competitors but also with our dynamic and ever changing environment."

Brig Dr Mukhtar Hussain, SI(M) (Retired)
Chief Information Officer

During 2013, the Company continued its focus on realignment of its IT capabilities with the corporate objectives. With the passage of time, our SAP-ERP continued to mature while several new initiatives were undertaken to bring value to users, across the organization.

Business Planning and Consolidation

In order to enhance management control, a state of the art Business Planning and Consolidation (BPC) solution has been implemented with the objective of providing online budget preparation and monitoring.

The implementation of SAP BPC solution is the first of its kind in Pakistan. Coordinated from HO, FFC users joined from all over Pakistan to carry out the system implementation. The method, though challenging, reduced the cost of implementation manifolds.

Shipment Planning and Processing Application (SPPA)

Several initiatives centered on improved intercompany accounts, credit and transportation management were undertaken and completed.

In relation to transportation cost which represents the largest component of distribution cost, a custom application "Shipment Planning and Processing Application" (SPPA) was made available to users in FFC for optimization and better management of the transportation function.

Mobility & GIS

The first step towards a mobile enabled business was undertaken by connecting SAP database with SMS service, for timely availability of sales orders and shipment information to our marketing field force.

Another application was designed in coordination with marketing and the R&D cell at HO, utilizing databases of soil analysis with a Web based GIS map of Pakistan. The application has the potential of becoming a potent tool at all levels of the sales and marketing function. Mobile applications have also been deployed for recording and retrieving soil analysis data based on GPS coordinates.

The application will considerably enhance accuracy of recommendations made to farmers.

Enterprise Central Component 6.0

A major advantage of SAP is access to latest enhancements of business solutions. In order to leverage this facility, SAP ERP was upgraded to the latest enhancement package of Enterprise Central Component (ECC 6.0).

The upgrade will not only bring technical benefits but also introduce new functionality. This highly technical upgrade exercise was led by an internal FFC team with significant cost savings in the consulting fee.

Material Requirement Planning (MRP)

All purchasing and inventory control functions have been brought under 'SAP Materials Management', enhancing visibility and improving control over inventory management functions. The module has the potential of bringing significant benefits by reducing inventory levels.

KPI Monitoring Dashboards

With streamlined business functions and reliable data capture and processing in, attention was focused on providing rich and powerful reporting capabilities to management.

Custom designed KPI dashboards were deployed for Plants, Marketing and Finance users providing management tools for quick performance reviews and rapidly zeroing in on areas of attention.

IT Strategy - Legacy Applications

FFC's core business applications have already been absorbed into SAP - ERP. However, some residual applications remain. These 'Legacy Applications' have high costs of ownership and therefore hinder the purpose of an ERP.

FFC is following a well-defined strategy of either incorporating these applications in SAP or developing new applications tightly integrated with SAP and hosted at the central data center.

Information Technology

Health, Safety and Environment (HSE) Applications

Recognizing the importance of HSE, FFC has developed a web based solution to centralize, streamline and standardize occupational health and safety (OH&S) data management across the organization's operations.

The system is developed on a distributed architecture scaling down to meet increasing data requirements while providing a secure and rich user experience. The interface assists end users in performing day-to-day OH&S related tasks with minimal guidance.

Workflow engines available in the system then routes the OH&S process documents for review/ approval and notifications/ alerts are generated through email. Centralized reporting on real time data provided by the system assists in timely decision making and compliance with OH&S standards.

Information Technology Governance

Information technology governance at FFC provides advice, oversight and contributes to the overall strategic decision making by the management keeping in view the impact of information technology on shareholder value and returns.

FFC's IT Governance practices encompasses,

- Engaging stakeholders to establish priorities for technology investment that are aligned with institutional goals and priorities
- Influence the development and design of technology services, policies and solutions
- IT governance promotes transparency, accountability and dialogue about technology that facilitates effective strategy adoption
- Ensuring compatibility, integration and avoiding redundancy
- Maximizing return on technology investment and controlling spending, while providing FFC with a coherent, integrated IT architecture and management structure
- Securing the Company's data
- Keeping the IT function proactive from an innovation perspective, providing ideas to the business

Risk Management

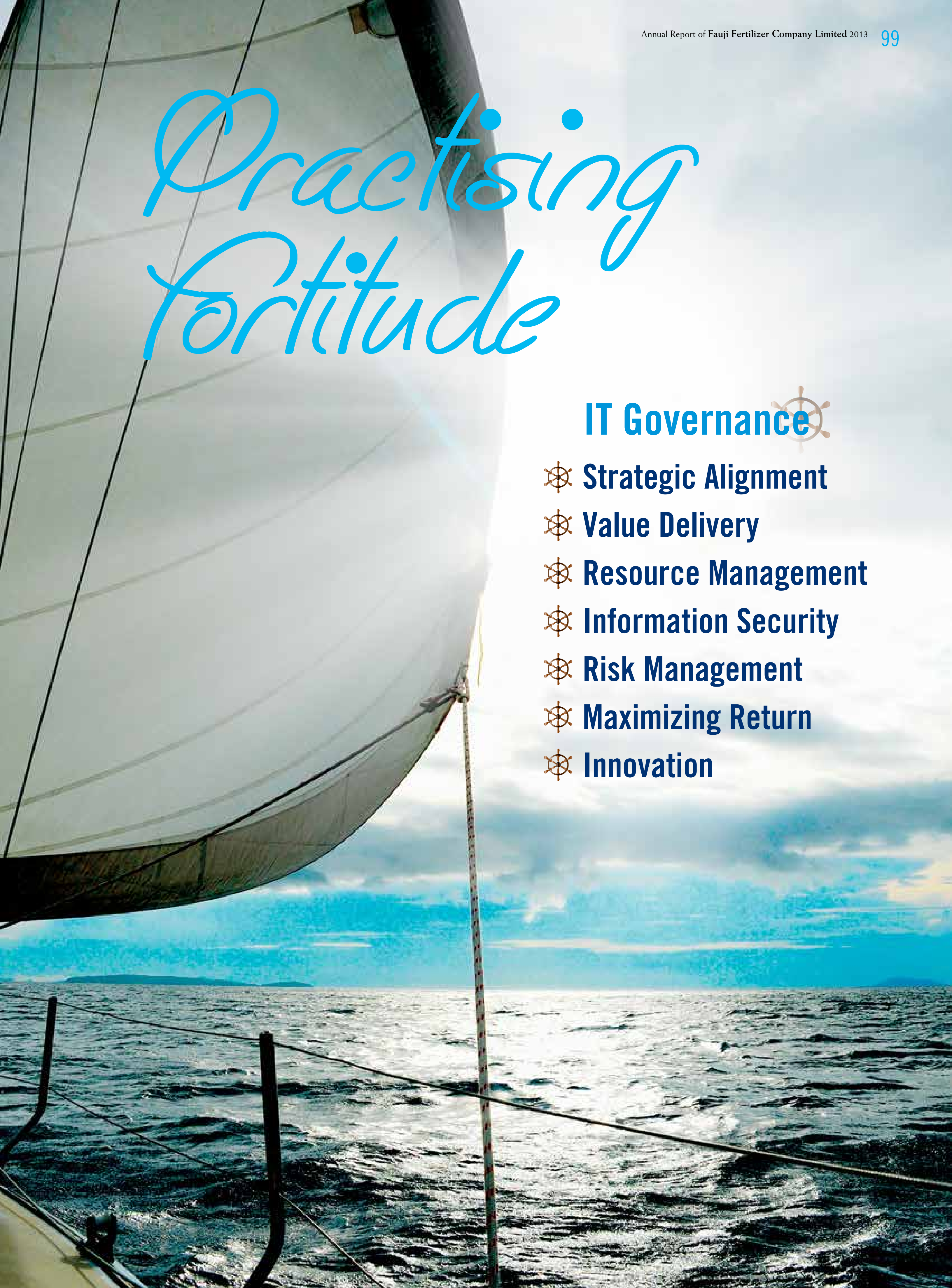
Risk management is the process of identifying vulnerabilities and threats to the information resources used by an organization in achieving business objectives, and deciding what countermeasures, if any, to take in mitigating risks to an acceptable level, based on the value of the information resource.

After the implementation of SAP as a backbone ERP system in FFC, dependency of imperative and usual business transactions on the system have become a prime driving force for optimizing business continuity and efficiency.

With emergence of technological innovations, associated risks are emerging at a rapid pace and with respect to business continuity there are inherent risks including virus outbreaks, power outages, equipment breakdowns etc.

FFC IT has undertaken adequate measures to minimize risks using both strategic and operational controls. With the introduction of a state-of-the-art data center, probability of downtime due to equipment breakdown has reduced radically. Multiple UPS and power generators are in place to overcome issues arising due to power failure. Industry grade anti-virus solution, Intrusion Prevention System and firewalls have been deployed to restrict virus outbreak in the computing environment. For monitoring events/ incidents occurring on the network, a Monitoring, Analysis and Response System has been placed in the network topology. A highly efficient data backup system ensures safeguarding of data against corruption.

As part of Business Continuity Planning, a Disaster Recovery site (DR) has also been established to further strengthen the availability of SAP services in case of a disaster. This site hosts backup servers for shifting of services during a disaster. A comprehensive set of policies and procedures have also been implemented to ensure a hassle free movement of transactions from prime site to DR site. Detailed responsibilities, actions and procedures have been defined to recover computer, communications and network environment in the event of an unexpected and unscheduled interruption. An organization wide information security department has also been established for enhancing overall security posture of the organization.



Practising Fortitude

IT Governance

- Strategic Alignment
- Value Delivery
- Resource Management
- Information Security
- Risk Management
- Maximizing Return
- Innovation

Corporate Social Responsibility

"As we look towards the future, our commitment to the society remains strong. With nearly 2% of profit after tax as CSR contributions during 2013, we are proud of our ability to give back to the society."

Brig Sajid Nisar Khan (Retired)
Chief Coordination Officer

Sustainability

Fauji Fertilizer Company is proud to be the torch-bearer for sustainable & responsible business practices in Pakistan. CSR has been retained as the core of FFC's business & operational strategy towards all stake holders. This year FFC celebrates the 31st year of being a sustainable & responsible business entity in Pakistan.

Starting in 1982 through capacity building & technical support of farmers (Agri Services), FFC CSR today stands out to be one of the largest programs in the region. The multifaceted program includes education support & uplift, health care, poverty alleviation, environmental protection, promotion of sports, disaster relief / rehab and so on.

In view of the expanding CSR activities & areas of intervention, the department has been reorganized at FFC Head office classified into two operational wings, namely Plans based & Projects based.

Surpassing its commitment towards CSR activities, FFC contributed an astounding 2% of its profit after tax (over Rs. 446 million) to CSR during the year. This initiative & commitment toward CSR is exemplary in the market space we operate and has set a benchmark for other companies to follow.

An insight into the activities, programs & interventions carried out in calendar year 2013 is presented in this section.

Engagement with UN Global Compact – Business for Peace

In 2013 FFC further rectified its commitment to the United Nations Global Compact forum by signing up for the newly initiated Business for Peace (B4P) group. The vision behind B4P is to build a sustained network among participating members to carry their CSR interventions into High Risk Areas and work in collaboration to build peace across the globe. The platform was launched during 2013 Global Compact Leader Summit held in September where FFC had the honor of being the only participant from Pakistan.

Environmental Sustainability

Engagement with World Wide Fund for Nature (WWF)

FFC CSR collaborated with World Wide Fund for Nature-Pakistan as a co-sponsor for WWF Nature Carnival 2013 at Lahore, held on March 5th. WWF was formed in 1970 to address growing issues faced in relation to environment conservation. WWF has been engaged in successfully conducting Nature Carnival across Pakistan from the past 16 years to promote environmental awareness, protection and conservation. In 2013, WWF Nature Carnival was planned at Karachi, Islamabad and Lahore. The event emphasizes on interactive activities for the promotion of WWF objectives for safeguard against nature and environmental degradation.

FFC through its CSR program has placed environmental protection and conservation at the center of its business operations. FFC is also a proud corporate member of the WWF Corporate Citizenship Program.

Social Sustainability

During the year, FFC SCR contributed in numerous social sustainability projects including contributions that were made to,

- National University of Sciences and Technology for establishment of 'Centre of Energy Systems' and for improvements in the Computer Engineering department
- Pakistan Red Crescent Society and Wah Engineering College,
- Armed Forces Bone Marrow Transplant Centre for improvement of systems, and
- Various other charitable non-profit organizations for social development.

Overview of other major contributions and activities is as follows,

FFC CSR Sponsorship to 12th Children Mountain Conservation Meet 2013

Environmental protection and conservation is an integral part of FFC CSR program. Initiatives including renewable energy, tree plantation and safe industrial operations by FFC reflect our commitment to environmental protection and conservation. The 12th Children Mountain Conservation Meet 2013 was held from June 24 till July 3, 2013 at Ayubia, organized by Adventure Foundation Pakistan (AFP). This activity converges children from across Pakistan and abroad, aged between 10-14 years to raise

Corporate Social Responsibility

awareness among children on mountain's eco system, promote nature conservation and protection, healthy living and development of natural abilities among participants throughout door activities and adventure. In 2013 FFC sponsored 20 children and 2 focal persons for their participation in the Mountain Conservation Meet.

Young Leadership Conference 2013

YLC is arranged annually by School of Leadership to impart advance skills, team work and management to the participants through week long interactive activities and sessions. All these skills are the "just required" set for the youth of Pakistan. Keeping this in view, FFC, through its CSR Department has sponsored 20 participants at 2013 YLC.

Health, Safety & Environment

Anti-Smoking Awareness Session

FFC CSR organized an in-house Anti-Tobacco Session for raising awareness among our valuable employees on the hazards posed by smoking.

FFC CSR - Al Shifa Eye Trust Joint Eye Camps

"Let There Be Light" Campaign

5 eye camps were ear-marked for the calendar year 2013 in collaboration with Al-Shifa eye hospital with the aim to provide ophthalmological assistance to underprivileged Pakistanis belonging to remote and far flung areas. Through these camps, CSR department and Al Shifa treated over 3,000 patients with ocular medicine, visual aids (glasses) and IOL surgery free of cost.

The campaign targeted remote areas including Chak Beli Khan, Kahuta, Kotli Sattyan and Khayaban-e-Sir Syed localities which house a large underprivileged population with limited or no access to basic facilities. These areas have been overlooked by the authorities in the past despite the fact that people belonging to these areas were in desperate need of healthcare facilities.

Gymnasium Facility at Head Office & Plant Sites

To promote employee health, FFC maintains a state of the art gymnasium facility at its head office and plant sites. In addition to providing the best in line work out equipment under highly trained and experienced supervisors, the gym also provides an opportunity for employees from various departments to interact and socialize. Various sports' facilities are also maintained at FFC's plant sites to provide employees with recreation while providing healthy activities.




Provision of State of the Art Medical Facilities at Sheikh Zayed & Hazrat Bilal Trust Hospital

FFC donated Rs. 25 million to Sheikh Zayed Medical College (SZMC), Rahim Yar Khan for the establishment of a Cardiac Center and Operation Theater. SZMC is a quality health care facility providing medical care to hundreds of patients on daily basis.

Hazrat Bilal Trust Hospital, established by FFC at Goth Machhi in 1986 is serving the underprivileged surrounding communities providing free of cost medical services. Owing to the facility's needs, FFC has donated an X-Ray machine unit to the facility at a cost of Rs. 13 million in 2013.

Welfare Projects

FFC- Fauji Foundation Community Welfare Complexes

FFC in collaboration with Fauji Foundation Trust will be constructing 3 Community Welfare Complexes in Sindh, starting from 2013. Work has commenced on the construction of first Community Welfare Complex (CWC) at Kot Ghulam Muhammad, Sindh. Stone laying ceremony for the CWC was held on April 14, 2013 which was attended by Chairman Fauji Foundation Lt Gen M Mustafa Khan (Retd) and CE & MD FFC Lt Gen Naeem Khalid Lodhi (Retd).

The complex will feature a model school, separate male and female vocation training/ skill development center, Basic Health Unit and dispensary, mosque and residential area. Kot Ghulam Muhammad is part of District Mirpurkhas, which has approximately 1.6 million inhabitants. Kot Ghulam Muhammad is one of the most remote communities in rural Sindh and the construction of CWC by FFC-FF will greatly contribute in the uplift of education, health and poverty alleviation for Kot Ghulam Muhammad and areas in the proximity.

Rs. 355 million have been contributed by FFC for the construction of CWC. To ensure timely completion and quality standards, ACES construction will be providing its services for the CWC as official consultant.

Education

FFC-Forman Christian College (Lahore) Signs Agreement for Scholarship to Talented & Deserving Students

FFC through its CSR division, has initiated one of the largest scholarship programs in Pakistan. As part of this initiative, FFC is already engaged with top academia in Pakistan including NUST, LUMS,

Wah University, Cadet College Ghotki etc and has awarded over 253 scholarships under various disciplines.

Living up to its commitment for the provision of educational opportunities to the talented and deserving students from across Pakistan, FFC and FC College Lahore have joined hands for the provision of scholarship to 7 students in 2013. FC College is one of the renowned institutions in Pakistan contributing to Pakistan's development through quality and professional educational services.

FFC sponsorship to the students will cover their entire degree program including boarding / lodging and additional expenses. The scholarship from FFC has been extended to 3 Post Graduate students and 4 Under Graduate students.

Wards of Farmers' scholarship 2013

The wards of farmers Scholarship program for the talented and deserving children of farmers on merit basis was started by FFC in 2005. In 2012, FFC was supporting 193 students in pursuing their higher education and 73 more students were added to this portfolio in 2013.

FFC Sponsorship to Wah Engineering College

FFC, committed to the provision of quality education to the talented and deserving students across Pakistan, has collaborated with Wah Engineering College for the provision of scholarships to talented and deserving students under the FFC sponsorship to student loan program. In light of this commitment, FFC is sponsoring 3 students at WEC for their complete Engineering Degrees.

Up gradation of Govt Schools at Goth Machhi & Sadiqabad

FFC has adopted 4 schools in the vicinity of its fertilizer plant at Goth Machhi which are serving as role model for similar educational institutions of the district. Further, as per the need assessment and liaison with District Education Department, FFC continually engages in the uplift and rehabilitation of Govt Schools and Colleges to ensure quality education to surrounding communities' children. In 2013 FFC undertook sizable upgradation activities at Govt Girls Higher Secondary School (Old Sadiqabad). Interventions by FFC included construction of 12 new class rooms and repair / maintainance of 6 existing classrooms.

Industrial Disaster Awareness and Mitigating Adverse Impact of Effluents

In order to enhance effectiveness in combating an industrial disaster, FFC has an active "Community awareness and emergency response" (CAER) program, along with well-defined "Onsite" disaster handling procedures.

One of the main responsibilities of this program is to create awareness about industrial disaster management by engaging the community living adjacent to FFC plants and facilities.

FFC coordinated a training exercise with villagers and government authorities to handle an industrial disaster at Basti Ahmed Khan, Sadiqabad, and in this successful joint exercise, Rescue-1122, DDMA, TMA, THQ Hospital, along with volunteers, police and motorway police, actively participated in handling an industrial disaster.

In order to mitigate the adverse impact of industrial effluents, FFC's has implemented strict environmental protection procedures at its Plant sites.

Sports

FFC Endorses Women Tennis Talent in Pakistan through Ambassadorship to Top Ranking Players

FFC has been playing the role of patron to numerous national and regional sports activities in Pakistan. The Country has immense talent in all sporting fields but due to financial constraints they fail to be recognized. In 2013, FFC recognized the potential of Pakistan's Women Tennis and came forward to support talented players from different categories. Pakistan's 7 times unbeaten national champion and one of the few Pakistani players in active ITF ranking, Ushna Suhail was made FFC "Ambassador for Sports Promotion and Development of New Talent" in June 2013. Similarly in November 2013, emerging new junior tennis players Alina and Mahin Aftab were also appointed Sports Ambassadors for Junior Tennis in Pakistan.

By this, FFC is assisting promising players in their professional coaching, training and participation in reputable tournaments so that they can bring laurels and respect to the Country.

Miscellaneous Sports Activities at FFC Plantsite

Following its commitment towards employee welfare and recreation, FFC conducted the following major sports events during 2013,

- Sona Cup Kabaddi Tournament
- Sona Cup Hockey Tournament
- Sona Cup Volleyball Tournament
- Sona Cup Football Tournament
- Sona Golf Tournament
- Sona Lawn Tennis Tournament
- Tour-De-Pakistan Cycle Race
- Sona Cup Dangal

Future Prospects

A quality that clearly sets us apart is consistently delivering on our commitments, which is fully endorsed by all our stakeholders. We have earned this reputation through organized and highly disciplined governance that guides every strategy.

For the very first time, the Company has ventured into banking services through acquisition of Askari Bank Limited, and pioneered into preserved & ready to eat food business.

We plan to utilize these achievements not as an end but as a beginning towards new horizons for success and shareholders earnings. Expansion in AHFL product line through installation of CA (Controlled Atmosphere) stores and VHT (Vapor Heat Treatment) is a part of our strategy towards incremental dividends for the Company and our stakeholders.

Post achievement of commercial operations by FFC Energy Limited, we are exploring further opportunities in the renewable energy sector through investment in solar power generation.

A potential offshore fertilizer complex is being evaluated in gas rich countries aimed at building on our core competencies in addition to extension of technical/professional services to other fertilizer complexes.

Gas Conservation

In view of persistent gas curtailment resulting in production losses, FFC is evaluating potential projects for gas conservation including shifting to coal fired boilers for steam generation, in addition to 'Multiple Fuel Cogeneration' through Biomass. The projects shall enable diversion of gas currently being used as fuel, towards incremental urea production.

Commitment for the future

The persistent increase in Governmental levies in addition to the tariff for feed/fuel gas despite persistent gas curtailment, continues to pressurize the pass through ability of fertilizer manufacturers.

Favourable Governmental action shall enable continued fertilizer industry support for availability of affordable food, besides continuation of our significant contribution towards the economic advancement of the Country.

Going forward, we remain committed to improve the way we work, to be more professional, efficient and profitable to deliver sustained return to our shareholders in a well diversified manner.

On behalf of the Board,

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

January 29, 2014
Rawalpindi

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 2013, and reports that:

- 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.

- 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.

- Appropriate accounting policies have been consistently applied except for the changes, if any, which have been appropriately disclosed in the financial statements. 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, 2013, 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, A.F.Ferguson & Co., Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2013 and shall retire on the conclusion of the 36th 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 36th Annual General Meeting 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, 2014.

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

Engr Rukhsana Zubari
Chairman - Audit Committee

Rawalpindi
January 29, 2014

Statement of Compliance
with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in 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 CCG 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;

Category of Directors	Names
Non-Executive	Lt Gen Muhammad Mustafa Khan, HI(M) (Retired)
Non-Executive	Mr. Qaiser Javed
Non-Executive	Dr. Nadeem Inayat
Non-Executive	Mr. Jorgen Madsen
Non-Executive	Brig Dr. Gulfam Alam, SI(M) (Retired)
Non-Executive	Brig Parvez Sarwar Khan (Retired)
Non-Executive	Mr. Khizar Hayat Khan
Non-Executive	Maj Gen Nasir Mahmood, HI(M) (Retired)
Executive	Lt Gen Naeem Khalid Lodhi, HI(M) (Retired)
Independent	Engr Rukhsana Zuberi
Independent	Mr. Farhad Shaikh Mohammad
Independent	Mr. Manzoor Ahmed
Independent	Mr. Alamuddin Bullo

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company except Mr. Manzoor Ahmed and Mr. Alamuddin Bullo for whom relaxation has been obtained and communicated to FFC by National Investment Trust Limited vide SECP letter No. SMD/SE/2(10)/2002 dated August 17, 2012 and by State Life Insurance Corporation of Pakistan vide SECP letter No. SMD/SE/2(10)/2002 dated October 09, 2013.

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. Following casual vacancies occurring in the Board during the year 2013 were filled up by the directors within 7 days:

   - Brig Parvez Sarwar Khan, SI(M) (Retd) appointed in place of Brig Agha Ali Hassan (Retd) w.e.f January 1, 2013.
   - Mr. Shafqat Hussain Naghmi appointed in place of Mr. Agha Nadeem w.e.f February 26, 2013.
   - Mr. Khizar Hayat Khan appointed in place of Mr. Shafqat Hussain Naghmi w.e.f April 9, 2013.
   - Mr. Manzoor Ahmed appointed in place of Mr. Wazir Ali Khoja w.e.f. May 23, 2013.
   - Maj Gen Nasir Mahmood, HI(M) (Retd) appointed in place of Maj Gen Zahid Parvez, HI(M) (Retd) w.e.f. August 1, 2013.
   - Mr. Alamuddin Bullo appointed in place of Mr. Shahid Aziz Siddiqi w.e.f. September 19, 2013.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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 and non-executive directors, have been taken by the Board / shareholders.

8. All 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 within due time before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Four of the directors have attended directors' training program during the year 2013. The remaining directors shall obtain certification under directors' training program upto 2016.

10. The Board has approved appointment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG 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 the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of three members, two of whom are non-executive directors and the Chairman of the committee is an independent director.

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

17. The Board has formed a Human Resources and Remuneration Committee. It comprises three members, all of whom are non-executive directors including the Chairman of the Committee.

18. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP, 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 the ICAP.

20. 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.

21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through the stock exchanges.

23. We confirm that other material principles enshrined in the CCG have been complied with.

Naeem Khalid

Lt Gen Naeem Khalid Lodhi, HI(M) (Retired)
Chief Executive & Managing Director

Rawalpindi
January 29, 2014

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2013 prepared by the Board of Directors of Fauji Fertilizer Company Limited, to comply with the Listing Regulations of the respective stock exchanges, 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 on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the respective stock exchanges require the Company to place before the Board of Directors 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 alternate 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 procedures 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 of Compliance 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, 2013.

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Engagement Partner: M. Imtiaz Aslam

Islamabad
January 29, 2014

Auditor's 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, 2013 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 except for the changes as stated in note 4.3 with which we concur,

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2013 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.

The financial statements of Fauji Fertilizer Company Limited for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on January 23, 2013.

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Engagement Partner: M. Imtiaz Aslam

Islamabad
January 29, 2014

Balance Sheet
as at December 31, 2013

	Note	2013	(Restated) 2012	(Restated) 2011
			(Rupees '000)	
EQUITY AND LIABILITIES				
EQUITY				
Share capital	5	12,722,382	12,722,382	8,481,588
Capital reserves	6	160,000	160,000	160,000
Revenue reserves	7	12,258,373	12,877,129	14,029,206
Surplus on remeasurement of investments available for sale to fair value		10,508	7,695	10,258
		25,151,263	25,767,206	22,681,052
NON - CURRENT LIABILITIES				
Long term borrowings	8	4,280,000	3,870,000	2,703,750
Deferred liabilities	9	4,078,369	3,915,259	3,623,060
		8,358,369	7,785,259	6,326,810
CURRENT LIABILITIES				
Trade and other payables	10	21,854,125	16,125,589	12,329,687
Interest and mark-up accrued	12	22,098	24,921	79,826
Short term borrowings	13	7,000,000	4,990,000	8,735,650
Current portion of long term borrowings	8	1,460,000	1,433,750	1,615,655
Taxation		3,983,215	4,542,926	3,762,236
		34,319,438	27,117,186	26,523,054
		67,829,070	60,669,651	55,530,916
CONTINGENCIES AND COMMITMENTS	14			

The annexed notes 1 to 42 form an integral part of these financial statements.

	Note	2013	(Restated) 2012	(Restated) 2011
			(Rupees '000)	
ASSETS				
NON - CURRENT ASSETS				
Property, plant and equipment	15	18,444,188	17,818,755	17,050,951
Intangible assets	16	1,651,592	1,678,639	1,569,234
Long term investments	17	20,662,532	9,511,865	8,659,073
Long term loans and advances	18	740,408	700,786	605,883
Long term deposits and prepayments	19	2,654	5,111	9,370
		41,501,374	29,715,156	27,894,511
CURRENT ASSETS				
Stores, spares and loose tools	20	3,244,645	3,098,938	2,447,452
Stock in trade	21	301,957	442,139	636,923
Trade debts	22	700,541	3,611,476	86,669
Loans and advances	23	921,460	677,977	431,582
Deposits and prepayments	24	46,984	35,670	53,852
Other receivables	25	790,163	588,667	891,673
Short term investments	26	18,960,295	18,750,996	21,794,480
Cash and bank balances	27	1,361,651	3,748,632	1,293,774
		26,327,696	30,954,495	27,636,405
		67,829,070	60,669,651	55,530,916

Chairman　　　　Chief Executive　　　　Director

Profit and Loss Account

for the year ended December 31, 2013

	Note	2013	(Restated) 2012
		(Rupees '000)	
Sales	28	74,480,611	74,322,612
Cost of sales	29	39,948,572	38,300,128
GROSS PROFIT		34,532,039	36,022,484
Distribution cost	30	6,167,280	5,553,529
		28,364,759	30,468,955
Finance cost	31	756,215	999,457
Other expenses	32	2,557,937	2,685,236
		25,050,607	26,784,262
Other income	33	4,367,941	4,267,852
NET PROFIT BEFORE TAXATION		29,418,548	31,052,114
Provision for taxation	34	9,284,000	10,191,987
NET PROFIT AFTER TAXATION		20,134,548	20,860,127
			(Restated)
Earnings per share – basic and diluted (Rupees)	35	15.83	16.40

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman

Chief Executive

Director

Statement of Comprehensive Income

for the year ended December 31, 2013

	2013	(Restated) 2012
	(Rupees '000)	
Net profit after taxation	20,134,548	20,860,127
Other comprehensive income		
Gain on remeasurement of staff retirement benefit plans	72,410	61,423
Deferred tax (charge) relating to remeasurement of staff retirement benefit plans	(24,619)	(21,498)
	47,791	39,925
Surplus / (deficit) on remeasurement of investments available for sale to fair value	795	(1,356)
Deferred tax credit / (charge) relating to remeasurement of investments		
available for sale to fair value	2,018	(1,207)
	2,813	(2,563)
Other comprehensive income - net of tax	50,604	37,362
Total comprehensive income for the year	20,185,152	20,897,489

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman   Chief Executive   Director

Cash Flow Statement

for the year ended December 31, 2013

	Note	2013	2012
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	35,783,891	28,935,912
Finance cost paid		(759,038)	(1,054,362)
Income tax paid		(9,754,711)	(9,235,297)
Net cash generated from operating activities	37.1	25,270,142	18,646,253
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,295,269)	(2,269,802)
Proceeds from sale of property, plant and equipment		49,583	28,489
Interest received		1,242,488	1,276,269
Investment in FFC Energy Limited		(138,250)	(850,000)
Investment in Askari Bank Limited		(10,461,921)	-
Investment in Al-Hamd Foods Limited		(585,500)	-
Decrease in other investments - net		919,406	3,719,657
Dividends received		2,586,042	2,814,767
Net cash (used in) / generated from investing activities		(8,683,421)	4,719,380
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		1,950,000	3,000,000
- repayments		(1,513,750)	(2,015,655)
Dividends paid		(20,677,553)	(17,749,717)
Net cash used in financing activities		(20,241,303)	(16,765,372)
Net (decrease) / increase in cash and cash equivalents		(3,654,582)	6,600,261
Cash and cash equivalents at beginning of the year		16,571,069	9,963,247
Effect of exchange rate changes		96,115	7,561
Cash and cash equivalents at end of the year	38	13,012,602	16,571,069

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman

Chief Executive

Director

Statement of Changes in Equity

for the year ended December 31, 2013

	Share capital	Capital reserves	Revenue reserves		Surplus/(deficit) on remeasurement of investments available for sale to fair value	Total
			General reserve	Unappropriated profit		
	(Rupees '000)					
Balance as at January 1, 2012 - as previously reported	8,481,588	160,000	5,543,154	8,875,224	10,258	23,070,224
Change in accounting policy for recognition of						
actuarial gains and losses - note 4.3	-	-	-	(389,172)	-	(389,172)
Balance at January 1, 2012 - as restated	8,481,588	160,000	5,543,154	8,486,052	10,258	22,681,052
Transfer to general reserve	-	-	4,200,000	(4,200,000)	-	-
Total comprehensive income for the year						
Profit after taxation (restated)	-	-	-	20,860,127	-	20,860,127
Other comprehensive income - net of tax (restated)	-	-	-	39,925	(2,563)	37,362
	-	-	-	20,900,052	(2,563)	20,897,489
Distribution to owners						
Issue of bonus shares	4,240,794	-	(4,240,794)	-	-	-
Final dividend 2011: Rs 5.25 per share	-	-	-	(4,452,834)	-	(4,452,834)
First interim dividend 2012: Rs 3.00 per share	-	-	-	(3,816,715)	-	(3,816,715)
Second interim dividend 2012: Rs 5.00 per share	-	-	-	(6,361,191)	-	(6,361,191)
Third interim dividend 2012: Rs 2.50 per share	-	-	-	(3,180,595)	-	(3,180,595)
	4,240,794	-	(4,240,794)	(17,811,335)	-	(17,811,335)
Balance at December 31, 2012 (restated)	12,722,382	160,000	5,502,360	7,374,769	7,695	25,767,206
Transfer to general reserve	-	-	1,300,000	(1,300,000)	-	-
Total comprehensive income for the year						
Profit after taxation	-	-	-	20,134,548	-	20,134,548
Other comprehensive income - net of tax	-	-	-	47,791	2,813	50,604
	-	-	-	20,182,339	2,813	20,185,152
Distribution to owners						
Final dividend 2012: Rs 5.00 per share	-	-	-	(6,361,191)	-	(6,361,191)
First interim dividend 2013: Rs 3.50 per share	-	-	-	(4,452,834)	-	(4,452,834)
Second interim dividend 2013: Rs 3.75 per share	-	-	-	(4,770,893)	-	(4,770,893)
Third interim dividend 2013: Rs 4.10 per share	-	-	-	(5,216,177)	-	(5,216,177)
	-	-	-	(20,801,095)	-	(20,801,095)
Balance at December 31, 2013	12,722,382	160,000	6,802,360	5,456,013	10,508	25,151,263

The annexed notes 1 to 42 form an integral part of these financial statements.

Chairman

Chief Executive

Director

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

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 156, The Mall, 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, other manufacturing, energy generation and banking operations.

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

2. 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 or the directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in respective policy notes. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

(i) Retirement benefits - note 11
(ii) Estimate of useful life of property, plant and equipment - note 15
(iii) Estimate of recoverable amount of investment in associated companies - note 17
(iv) Provision for taxation - note 34

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 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 are carried at present value of defined benefit obligation net of fair value of plan assets.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

4.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency.

4.3 Staff Retirement benefits

(a) The Company has the following plans for its employees:

Funded Gratuity and Pension Scheme:

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

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 11 to the financial statements. All contributions are charged to profit or loss for the year.

Consequent to the revision of IAS 19 "Employee Benefits" which is effective for annual periods beginning on or after January 1, 2013, the Company has changed its accounting policy wherein, the actuarial gains and losses (remeasurement gains / losses) on employees' retirement benefit plans are recognised immediately in other comprehensive income. Previously, the actuarial gains / losses in excess of the corridor limit were recognised in profit or loss over the remaining service life of the employees. In accordance with the transitional provisions of IAS 19, the change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated as below. The adoption of above accounting policy has no effect on the cash flow statement.

	Effect for the year ended December 31, 2012 Rupees ('000)
Profit and loss account	
Decrease in cost of sales	24,233
Decrease in distribution costs	7,158
(Increase) in provision for taxation	(10,987)
Increase in net profit after taxation	20,404
Other Comprehensive Income	
Increase in gain on remeasurement of staff retirement benefit plans	61,423
(Increase) in deferred tax charge relating to remeasurement of staff retirement benefit plans	(21,498)
Increase in other comprehensive income - net of tax	39,925
Increase in equity	60,329
Increase in Earnings per share - basic and diluted (Rupees)	0.02

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

	Cumulative effect upto December 31, 2012	Cumulative effect upto December 31, 2011
	(Rupees '000)	
Balance Sheet		
(Increase) in trade and other payables	(288,710)	(598,726)
Decrease in deferred tax liability	188,056	209,554
(Increase) in taxation	(10,987)	-
(Decrease) in long term deposits and prepayments	(217,202)	-
(Decrease) in equity	(328,843)	(389,172)

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

Contributory Provident Fund

Defined contribution provident fund for all eligible employees for which the Company's contributions are charged to profit or loss at the rate of 10% of basic salary.

(b) **Compensated absences**

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

4.4 **Taxation**

Income tax expense comprises current and deferred tax.

Current tax

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Deferred tax

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 utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is not recognised on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

The Company takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Company's view 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.

4.5 Property, plant and equipment and capital work in progress

Property, plant and equipment 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.

Depreciation is provided on a straight-line basis and charged to profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 15. Depreciation on addition in property, plant and equipment is charged from the date when the asset becomes available for use upto the date of its disposal.

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

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

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

4.6 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 or loss. 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 or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in directly in statement of comprehensive income.

4.7 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. Subsequent to initial recognition goodwill is recognised at cost less impairment, if any. In respect of equity accounted investees, goodwill is included in the carrying amount of investment.

4.8 Investments

4.8.1 Investment in subsidiaries

Investment in subsidiary is initially recognised at cost. At subsequent reporting date, recoverable amounts are estimated to determine the extent of impairment loss, if any, and carrying amount of investment is adjusted accordingly. Impairment losses are recognised as expense in profit or loss. Where impairment loss subsequently reverse, the carrying amounts of investment are increased to its revised recoverable amount but limited to the extent of initial cost of investment. Reversal of impairment losses are recognised in the profit or loss.

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The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries. Gain and losses on disposal of investment is included in other income.

4.8.2 Investment in associates and jointly controlled entities

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 or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit or loss.

The profits and losses of associates and jointly controlled entities are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the associates and jointly controlled entities. Gain and losses on disposal of investment is included in other income.

4.8.3 Investment 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 or loss. Impairment loss on investments available for sale is recognised in the profit or loss.

4.8.4 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.

4.8.5 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 profit or loss.

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

4.8.6 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.

4.9 Stores, spares and loose tools

Stores, spares and loose tools are valued at weighted average cost 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 spares. Stores in transit are stated at invoice value plus other charges paid thereon.

4.10 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

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

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

4.11 Foreign currency transaction and translation

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 exchange rate at the date of transaction. Exchange differences are included in profit or loss for the year.

4.12 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 subsidiary company products is recognised when such products are sold on its behalf.

4.13 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.

4.14 Research and development costs

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

4.15 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.

4.16 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.

4.17 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.

4.18 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.

Notes to and forming part of the Financial Statements
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4.19 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. All financial assets and liabilities other than at fair value through profit or loss assets and liabilities are initially recognised at fair value plus transaction costs. Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are charged to income for the year. Any gain or loss on derecognition of financial assets and financial liabilities is included in income for the year.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognised amounts and the Company intends to settle on a net basis, or realise the asset and settle the liability simultaneously.

4.20 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at fair value being consideration received less attributable transactions costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost.

4.21 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.

4.22 Trade debts and other receivables

Trade debts and other receivables are recognised and carried at their amortised cost less an allowance for any uncollectable amounts. Carrying amounts of trade debts 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.

4.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.24 Finance income and finance costs

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

Finance costs comprise interest expense on borrowings, changes in fair value of investment carried at fair value through profit or loss and impairment losses 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 effective interest method.

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

4.25 Operating leases

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

Notes to and forming part of the Financial Statements
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4.26 Intangible assets

Intangibles are stated at the cash price equivalent of the consideration given less accumulated amortisation 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 or loss.

4.27 Contingent Liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual reporting periods beginning on or after)
IAS 27	Separate financial statements (Amendments)	January 1, 2014
IAS 32	Financial instruments: Presentation (Amendments)	January 1, 2014
IAS 36	Impairment of assets (Amendments)	January 1, 2014
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2014
IFRS 10	Consolidated financial statements (Amendments)	January 1, 2014
IFRS 12	Disclosure of interests in other entities (Amendments)	January 1, 2014

The management anticipate that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

		Effective date (annual reporting periods beginning on or after)
IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

Notes to and forming part of the Financial Statements
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5. SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2012: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2012: Rs 15,000,000 thousand).

2013	2012		2013	2012
(Numbers)			(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
1,015,742,345	1,015,742,345	Ordinary shares of Rs 10 each		
		issued as fully paid bonus shares	10,157,423	10,157,423
1,272,238,247	1,272,238,247		12,722,382	12,722,382

5.1 Fauji Foundation held 44.35% (2012: 44.35%) ordinary shares of the Company at the year end.

		Note	2013	2012
			(Rupees '000)	
6.	CAPITAL RESERVES			
	Share premium	6.1	40,000	40,000
	Capital redemption reserve	6.2	120,000	120,000
			160,000	160,000

6.1 **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.

6.2 **Capital redemption reserve**

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

		2013	(Restated) 2012
		(Rupees '000)	
7.	REVENUE RESERVES		
	General reserve	6,802,360	5,502,360
	Unappropriated profit	5,456,013	7,374,769
		12,258,373	12,877,129

Notes to and forming part of the Financial Statements
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		Note	2013	2012
			(Rupees '000)	
8.	LONG TERM BORROWINGS			
	Loans from banking companies – secured	8.1		
i)	Al-Baraka Bank (Pakistan) Limited (AIBL)		75,000	125,000
ii)	Dubai Islamic Bank Pakistan Limited (DIBL - 1)		90,000	150,000
iii)	Dubai Islamic Bank Pakistan Limited (DIBL - 2)		450,000	-
iv)	Meezan Bank Limited (MBL - 1)		-	62,500
v)	Meezan Bank Limited (MBL - 2)		500,000	750,000
vi)	Bank of Punjab (BOP - 1)		250,000	375,000
vii)	Bank of Punjab (BOP - 2)		1,000,000	1,000,000
viii)	Allied Bank Limited (ABL)		1,875,000	2,500,000
ix)	United Bank Limited (UBL)		1,500,000	-
x)	Standard Chartered Bank (Pakistan) Limited (SCB)		-	50,000
xi)	Faysal Bank Limited (FBL)		-	160,000
xii)	Habib Bank Limited (HBL)		-	100,000
xiii)	Bank Islami Pakistan Limited (BIPL)		-	31,250
			5,740,000	5,303,750
	Less: Current portion shown under current liabilities		1,460,000	1,433,750
			4,280,000	3,870,000

8.1 **Terms and conditions of these borrowings are as follows:**

	Lenders	Mark up rates p.a. (%)	No of installments outstanding	Date of final repayment
i)	AIBL	6 Months KIBOR+1.00	3 half yearly	June 27, 2015
ii)	DIBL-1	6 Months KIBOR+0.35	3 half yearly	June 30, 2015
iii)	DIBL-2	6 Months KIBOR+0.35	9 half yearly	June 26, 2018
iv)	MBL - 2	6 Months KIBOR+0.50	4 half yearly	December 31, 2015
v)	BOP - 1	6 Months KIBOR+0.50	4 half yearly	December 30, 2015
vi)	BOP - 2	6 Months KIBOR+0.50	8 half yearly	December 27, 2017
vii)	ABL	6 Months KIBOR+0.50	6 half yearly	December 23, 2016
viii)	UBL	6 Months KIBOR+0.35	8 half yearly	December 27, 2018

These finances are secured by an equitable mortgage on the Company's assets and hypothecation of all Company assets including plant and machinery, stores, spares and loose tools and all other moveable properties including stocks and book debts, ranking pari passu with each other with 25% margin. Certain finances were pre-maturely settled during the year without incurring any prepayment penalty.

Notes to and forming part of the Financial Statements
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		Note	2013	(Restated) 2012
			(Rupees '000)	
9.	DEFERRED LIABILITIES			
	Deferred taxation	9.1	3,259,563	3,147,962
	Provision for compensated leave absences	9.2	818,806	767,297
			4,078,369	3,915,259
9.1	**Deferred taxation**			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation / amortisation		3,539,000	3,443,000
	Provision for slow moving spares, doubtful debts, other receivables and investments		(116,000)	(109,000)
			3,423,000	3,334,000
	Retirement benefit obligation		(163,437)	(188,056)
	Remeasurement of investment available for sale		-	2,018
			3,259,563	3,147,962
9.2	**Movement of provision for compensated leave absences:**			
	Balance at the beginning		767,297	673,803
	Provision during the year		156,899	175,540
			924,196	849,343
	Encashed during the year		(105,390)	(82,046)
	Balance at the end		818,806	767,297

Acturial valuation has not been carried out as the impact is considered to be immaterial.

		Note	2013	(Restated) 2012
			(Rupees '000)	
10.	TRADE AND OTHER PAYABLES			
	Creditors		8,663,733	420,933
	Accrued liabilities		3,297,691	3,447,871
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		347,142	2,969,967
	Sales tax payable - net		814,939	1,600,848
	Deposits		196,107	188,260
	Retention money		123,418	152,370
	Advances from customers		6,417,376	5,431,710
	Workers' Welfare Fund		1,073,544	1,094,245
	Gratuity fund payable	11	436,283	367,962
	Pension fund payable	11	-	50,343
	Unclaimed dividend		446,970	323,428
	Other liabilities		36,922	77,652
			21,854,125	16,125,589

Notes to and forming part of the Financial Statements
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11.	RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2013 Total	(Restated) 2012 Total
		(Rupees '000)			
i)	**The amounts recognised in the balance sheet are as follows:**				
	Present value of defined benefit obligation	1,609,419	2,305,885	3,915,304	3,604,654
	Fair value of plan assets	(1,173,136)	(2,315,644)	(3,488,780)	(3,186,349)
		436,283	(9,759)	426,524	418,305
ii)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	81,817	88,682	170,499	154,705
	Net interest cost	43,551	5,699	49,250	51,066
		125,368	94,381	219,749	205,771
iii)	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	1,465,644	2,139,010	3,604,654	3,162,095
	Current service cost	81,817	88,682	170,499	154,705
	Interest cost	169,244	259,234	428,478	405,750
	Benefits paid	(168,529)	(129,250)	(297,779)	(282,298)
	Remeasurement of defined benefit obligation	61,243	(51,791)	9,452	164,402
	Present value of defined benefit obligation at end	1,609,419	2,305,885	3,915,304	3,604,654
iv)	**The movement in fair value of plan assets is as follows:**				
	Fair value of plan assets at beginning	1,097,682	2,088,667	3,186,349	2,350,437
	Expected return on plan assets	125,693	253,535	379,228	354,684
	Contributions	91,929	47,191	139,120	537,701
	Benefits paid	(168,529)	(129,250)	(297,779)	(282,298)
	Remeasurement of plan assets	26,361	55,501	81,862	225,825
	Fair value of plan assets at end	1,173,136	2,315,644	3,488,780	3,186,349
v)	**Actual return on plan assets**	152,054	309,036	461,090	580,509
vi)	**Contributions expected to be paid to the plan during the next year**	149,918	103,826	253,744	172,559
vii)	**Plan assets comprise of:**				
	Investment in debt securities	588,851	1,424,179	2,013,030	99,018
	Investment in equity securities	417,649	760,424	1,178,073	1,154,612
	Deposits with banks	39,074	110,222	149,296	75,710
	Mutual Funds	127,562	20,819	148,381	198,234
	Term deposits receipts	-	-	-	1,477,329
	National Investment trust Units	-	-	-	189,759
	Others	-	-	-	(8,313)
		1,173,136	2,315,644	3,488,780	3,186,349

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

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		Funded gratuity 2013 (Rupees '000)	Funded gratuity (Restated) 2012 (Rupees '000)	Funded pension 2013 (Rupees '000)	Funded pension (Restated) 2012 (Rupees '000)
ix)	**Movement in liability / (asset) recognised in balance sheet:**				
	Opening liability	367,962	350,090	50,343	461,568
	Cost for the year recognised in profit or loss	125,368	118,171	94,381	87,600
	Employer's contribution during the year	(91,929)	(83,040)	(47,191)	(454,661)
	Total amount of remeasurement recognised in Other Comprehensive Income (OCI) during the year	34,882	(17,259)	(107,292)	(44,164)
	Closing liability / (asset)	436,283	367,962	(9,759)	50,343
x)	**Remeasurements recognised in OCI during the year:**				
	Remeasurement (loss) / gain on obligation	(61,243)	(73,640)	51,791	(90,762)
	Remeasurement gain / (loss) on plan assets	26,361	90,899	55,501	134,926
	Remeasurement gain / (loss) recognised in OCI	(34,882)	17,259	107,292	44,164

		2013 Funded gratuity	2013 Funded pension	2012 Funded gratuity	2012 Funded pension
		(Percentage)			
xi)	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	13	13	12	12
	Expected rate of salary growth				
	Management	13	13	12	12
	Non- Management	12	-	11	-
	Expected rate of return on plan assets	13	13	12	12
	Expected rate of increase in post retirement pension	-	7	-	6
	Demographic assumptions				
	Mortality rates (for death in service)	SLIC	SLIC	LIC	LIC
		(2001-05)	(2001-05)	(1975-79)	(1975-79)
	Rates of employee turnover				
	Management	Moderate	Moderate	Moderate	Moderate
	Non management	Light	-	Light	-

xii) **Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	Defined benefit obligation: Effect of 1 percent increase (Rupees '000)	Defined benefit obligation: Effect of 1 percent decrease (Rupees '000)
Discount rate	(246,702)	292,190
Future salary growth	123,392	(114,842)
Future pension	87,389	(74,282)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

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xiii) **The weighted average number of years of defined benefit obligation is given below:**
Plan Duration

	Gratuity	Pension
	Years	
December 31, 2013	7.23	11.58

xiv) The Company contributes to the pension and gratuity funds on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any deficit. If there is a surplus, the Company takes a contribution holiday.

xv) **Projected benefit payments from funds are as follows:**

	Gratuity	Pension
	(Rupees '000)	
FY 2014	220,551	184,671
FY 2015	154,711	150,594
FY 2016	242,789	213,340
FY 2017	211,270	209,592
FY 2018	291,537	267,408
FY 2019 - FY 2023	1,433,354	1,520,575
FY 2024 - FY 2028	1,988,088	2,404,608

xvi) "Salaries, wages and benefits" expense, stated in notes 29 and 30 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs 125,368 thousand, Rs 102,393 thousand, Rs 94,381 thousand and Rs 156,899 thousand respectively (2012: Rs 118,171 thousand, Rs 95,781 thousand, Rs 87,600 thousand and Rs 175,540 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under Inter Company Services Agreement.

	2013 Total	2012 Total
	(Rupees '000)	
11.1 Defined contribution plan		
Details of the Staff Provident Fund based on unaudited financial statement for the year ended December 31, 2013 are as follows:		
Size of the fund (total assets)	4,309,085	3,796,881
Cost of investments made	3,657,124	3,182,135
Fair value of investments made	3,860,364	3,629,472
	%	%
Percentage of investments made	90	96

	2013		2012	
Breakup of investment - at cost	**Rs '000**	**% age**	**Rs '000**	**% age**
Term deposits and funds with scheduled banks	2,002,931	55	1,292,319	41
Government securities	37,908	1	53,335	1
Listed securities, mutual funds and term finance certificates	1,616,285	44	1,836,481	58
	3,657,124	100	3,182,135	100

Investments out of provident funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose, except for the prescribed limit for listed securities.

Notes to and forming part of the Financial Statements
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		2013	2012
		(Rupees '000)	
12.	**INTEREST AND MARK-UP ACCRUED**		
	On long term borrowings	9,222	18,030
	On short term borrowings	12,876	6,891
		22,098	24,921
13.	**SHORT TERM BORROWINGS**		
	i) MCB Bank Limited	1,200,000	1,000,000
	ii) Meezan Bank Limited (MBL - 1)	1,200,000	300,000
	iii) Meezan Bank Limited (MBL - 2)	2,000,000	2,000,000
	iv) Bank Islami Pakistan Limited (BIPL)	600,000	690,000
	v) Allied Bank Limited (ABL)	2,000,000	1,000,000
		7,000,000	4,990,000

Terms and conditions of short term borrowings are as follows:

	Lender	Mark-up rate p.a. (%)	Maturity date
i)	MCB Bank Limited	3 months KIBOR+ 0.07	March 19, 2014
ii)	Meezan Bank Limited (MBL - 1)	3 months KIBOR+ 0.10	March 13, 2014
iii)	Meezan Bank Limited (MBL - 2)	3 months KIBOR+ 0.05	March 30, 2014
iv)	Bank Islami Pakistan Limited (BIPL)	3 months KIBOR+ 0.10	March 31, 2014
v)	Allied Bank Limited (ABL)	3 months KIBOR+ 0.10	March 31, 2014

The facilities are secured by pari passu and ranking hypothecation charges on assets of the Company. Istisna facility from Mezan Bank Limited (MBL-2) is secured against lien over Term deposit receipts.

Short term running finance and istisna facilities are available from various banking companies under mark-up / profit arrangements amounting to Rs 10.35 billion (2012:Rs 11.24 billion) which represent the aggregate of sale prices of all mark-up / profit agreements between the Company and respective banks.

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for the year ended December 31, 2013

		2013	2012
		(Rupees '000)	
14.	**CONTINGENCIES AND COMMITMENTS**		
a)	**Contingencies:**		
i)	Guarantees issued by banks on behalf of the Company	59,281	19,072
ii)	Claims against the Company and / or potential exposure not acknowledged as debt	50,696	50,696

iii) The Competition Commission of Pakistan has imposed a penalty of Rs 5.5 billion on the Company for alleged unreasonable increase in urea prices during the year 2011. However, the fact remains that price increase was essentially caused by extended gas curtailment and delayed urea imports by the Government of Pakistan resulting in product shortage leading to market imbalance and price hike. The Company has filed an appeal against the above penalty before the Competition Appellate Tribunal. Based on legal advice from the Company's legal advisor, the Company is confident that there are reasonable grounds for a favourable decision.

		2013	2012
		(Rupees '000)	
b)	**Commitments in respect of:**		
i)	Capital expenditure	1,302,329	1,535,446
ii)	Purchase of fertilizer, stores, spares and other operational items	1,768,194	1,180,288
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	-	386,000
iv)	Investment in Al-Hamd Foods Limited	550,000	-
v)	Rentals under lease agreements:		
	Premises - not later than one year	88,464	53,108
	- later than one year and not later than:		
	two years	47,878	30,096
	three years	23,740	24,806
	four years	26,395	23,740
	five years	879	26,395
	Vehicles - not later than one year	33,292	29,121
	- later than one year and not later than:		
	two years	21,596	28,855
	three years	18,695	21,057
	four years	11,679	15,660
	five years	6,363	8,820

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

15. 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 15.3)	Total
	(Rupees '000)													
COST														
Balance as at January 01, 2012	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
Additions	-	-	1,815,124	-	-	376,670	363,379	54,846	17,863	109,670	143,251	1,970	1,745,412	4,628,185
Disposals	-	-	(991)	-	-	(907)	-	(25,129)	(11,575)	(25,410)	(28,111)	-	-	(92,123)
Transfers / adjustments	-	-	-	-	-	-	-	-	-	-	-	-	(2,478,257)	(2,478,257)
Balance as at December 31, 2012	534,811	178,750	4,888,462	42,150	26,517	26,371,128	1,149,115	457,442	198,215	431,028	1,519,571	20,194	2,002,191	37,819,574
Balance as at January 01, 2013	534,811	178,750	4,888,462	42,150	26,517	26,371,128	1,149,115	457,442	198,215	431,028	1,519,571	20,194	2,002,191	37,819,574
Additions	-	-	418,168	-	-	1,056,589	288,739	434,910	110,031	97,134	222,374	1,902	2,254,912	4,884,759
Disposals	-	-	(17,127)	-	-	(122)	-	(19,901)	(4,207)	(43,370)	(12,675)	-	-	(97,402)
Transfers / adjustments	-	-		-	-	-	-	-	-	-	-	-	(2,608,794)	(2,608,794)
Balance as at December 31, 2013	534,811	178,750	5,289,503	42,150	26,517	27,427,595	1,437,854	872,451	304,039	484,792	1,729,270	22,096	1,648,309	39,998,137
DEPRECIATION														
Balance as at January 01, 2012	-	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
Charge for the year	-	14,072	143,499	107	-	802,207	199,771	39,122	16,813	38,076	120,089	1,495	-	1,375,251
Depreciation on disposals	-	-	(921)	-	-	(907)	-	(22,916)	(7,122)	(25,411)	(27,973)	-	-	(85,250)
Balance as at December 31, 2012	-	106,599	1,808,180	41,299	26,517	15,640,906	575,401	291,980	105,269	266,428	1,120,396	17,844	-	20,000,819
Balance as at January 01, 2013	-	106,599	1,808,180	41,299	26,517	15,640,906	575,401	291,980	105,269	266,428	1,120,396	17,844	-	20,000,819
Charge for the year	-	14,071	209,765	106	-	834,957	234,228	97,285	26,274	56,356	153,603	1,312	-	1,627,957
Depreciation on disposals	-	-	-	-	-	(50)	-	(15,335)	(3,573)	(43,370)	(12,499)	-	-	(74,827)
Balance as at December 31, 2013	-	120,670	2,017,945	41,405	26,517	16,475,813	809,629	373,930	127,970	279,414	1,261,500	19,156	-	21,553,949
Written down value as at														
- December 31, 2012	534,811	72,151	3,080,282	851	-	10,730,222	573,714	165,462	92,946	164,600	399,175	2,350	2,002,191	17,818,755
- December 31, 2013	534,811	58,080	3,271,558	745	-	10,951,782	628,225	498,521	176,069	205,378	467,770	2,940	1,648,309	18,444,188
Rate of depreciation / amortisation in %	-	6 1/4	5 to 10	5	5	5	20	15	10	20	15 - 33 1/3	30	-	-

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

		Note	2013	2012
			(Rupees '000)	
15.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	29	1,538,622	1,339,362
	Distribution cost	30	72,024	30,688
	Charged to FFBL under Inter Company Services Agreement		17,311	5,201
			1,627,957	1,375,251

15.2 Details of property, plant and equipment disposed off:

Description	Method of disposal	Cost	Book value	Sale proceeds
		(Rupees '000)		
Office and electrical equipment, furniture and fixture and maintenance and other equipment				
Mr Bismillah Khan	Tender	1,411	643	208
Mr Imtiaz Ahmed Qamar	Auction	622	166	108
Mr Asad Sultan	Tender	351	113	145
M/s EFU Insurance	Insurance claim	609	220	411
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		94,409	21,433	48,711
2013		97,402	22,575	49,583
2012		92,123	6,873	28,489

		Note	2013	2012
			(Rupees '000)	
15.3	**Capital Work in Progress**			
	Civil works including mobilization advance		360,579	574,858
	Plant and machinery including advances to suppliers		1,282,190	1,424,293
	Intangible assets under development		5,540	3,040
			1,648,309	2,002,191
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	82,358	109,405
	Goodwill	16.2	1,569,234	1,569,234
			1,651,592	1,678,639
16.1	**Computer software**			
	Balance at the beginning		109,405	-
	Additions during the year		19,304	119,874
	Amortisation charge for the year		(46,351)	(10,469)
	Balance at the end		82,358	109,405
	Amortisation rate		33 1/3	33 1/3
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	31,762	6,980
	Distribution cost	30	14,589	2,487
	Charged to FFBL under Inter Company Services Agreement		-	1,002
			46,351	10,469

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

16.2 Goodwill

This represents excess of the amount paid over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 16.92%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2013	2012
			(Rupees '000)	
17.	**LONG TERM INVESTMENTS**			
	Investment in associate – at cost			
	Fauji Cement Company Limited (FCCL)	17.1	1,500,000	1,500,000
	Investment in joint venture - at cost			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	17.2	705,925	705,925
	Investment in subsidiaries - at cost			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	17.3	4,752,330	4,752,330
	FFC Energy Limited (FFCEL)	17.4	2,438,250	2,300,000
	Askari Bank Limited (AKBL)	17.5	10,461,921	-
	Al-Hamd Foods Limited (AHFL)	17.6	585,500	-
	Investments available for sale	17.7		
	Certificates of Investment / Term deposits receipts		118,239	111,528
	Pakistan Investment Bonds		59,497	60,491
	Term Finance Certificates		96,000	102,341
			273,736	274,360
			20,717,662	9,532,615
	Less: Current portion shown under short term investments			
	Investments available for sale			
	Certificates of Investment / Term deposits receipts		26,005	12,395
	Pakistan Investment Bonds		29,125	-
	Term Finance Certificates		-	8,355
			55,130	20,750
			20,662,532	9,511,865

17.1 Investment in associate - at cost

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% of its share capital as at December 31, 2013. The Company is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by Faysal Bank Limited, remains outstanding or without prior consent of FCCL. Market value of the Company's investment as at December 31, 2013 was Rs 1,495,313 thousand.

17.2 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 Office Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market Phosphoric acid, fertilizer and other related products in Morocco and abroad.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

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.

17.3 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, 2013. Market value of the Company's investment as at December 31, 2013 was Rs 20,819,958 thousand (2012: Rs 18,339,241 thousand).

17.4 Investment in FFCEL - at cost

Investment in FFCEL represents Rs 243,825 thousand fully paid ordinary shares of Rs 10 each. FFCEL has been incorporated for the purpose of implementing a project comprising establishment and operation of wind power generation facility and supply of electricity. The Company currently holds 100% shareholding interest in FFCEL, out of which 70,000 shares amounting to Rs 700 thousand are held in the name of seven nominee directors of the Company in FFCEL.

All present and future, movable and fixed assets excluding immovable properties, land & buildings of the Company are secured against guarantees given by the Banks in favour of National Transmission and Dispatch Company amounting to USD 1,732,500 on behalf of FFCEL.

17.5 Investment in AKBL - at cost

Investment in AKBL represents 350,818 thousand fully paid ordinary shares of Rs 10 each acquired during the year representing 43.15% of AKBL's share capital. In addition, 192,950 thousand shares of Rs 10 each were subscribed by way of right subscription during the year. Market value of the Company's investment as at December 31, 2013 was Rs 7,613,315 thousand. Based on a valuation analysis carried out by an external investment advisor engaged by the Company, the recoverable amount of investment exceeds its carrying amount. The recoverable amount has been estimated based on a relative valuation calculation. This valuation has been arrived at through comparison of banks with similar standing as AKBL. For the purposes of valuation the price to book value, price to earnings, market capitalization to deposits and market capitalisation to CASA ratios of those banks have been considered.

17.6 Investment in AHFL - at cost

Investment in AHFL represents 28,960 thousand fully paid ordinary shares of Rs 10 each acquired during the year representing 100% of AHFL's share capital. In addition, Rs 200,000 thousand were paid against further issuance of shares during the year. Further shares are yet to be issued by AHFL.

17.7 Investments available for sale

Certificates of Investment (COI) / Term deposits receipts

These represent placements in Certificates of Investment / Term deposits receipts of financial institution for periods ranging from one to five years having returns in the range of 7.58% to 14.18% per annum (2012: 8.01% to 14.18% per annum).

Pakistan Investment Bonds (PIBs)

PIBs ranging from 3 to 10 years were purchased and are due to mature within a period of 2 years. Profit is receivable on half yearly basis with coupon rates ranging from 8% to 11.75% per annum (2012: 8% to 11.75% per annum). These PIBs have face value of Rs 59 million.

Term Finance Certificates (TFCs)

These include 20,000 certificates of Rs 5,000 each of Engro Fertilizer Limited (EFL). Profit is receivable on half yearly basis at the rate of six months' KIBOR + 1.55% per annum.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

		Note	2013	2012
			(Rupees '000)	
18.	LONG TERM LOANS AND ADVANCES - SECURED			
	Loans and advances - considered good, to:			
	Executives		693,808	700,878
	Other employees		285,950	238,820
			979,758	939,698
	Less: Amount due within twelve months, shown			
	under current loans and advances	23	239,350	238,912
			740,408	700,786

18.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2013 Total	2012 Total
		(Rupees '000)		
Balance at January 1	700,878	238,820	939,698	825,299
Disbursements	294,990	132,985	427,975	448,176
	995,868	371,805	1,367,673	1,273,475
Repayments	302,060	85,855	387,915	333,777
Balance at December 31	693,808	285,950	979,758	939,698

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 7% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 769,035 thousand (2012: Rs 700,878 thousand).

		2013	(Restated) 2012
		(Rupees '000)	
19.	LONG TERM DEPOSITS AND PREPAYMENTS		
	Deposits	2,092	5,111
	Prepayments	562	-
		2,654	5,111
20.	STORES, SPARES AND LOOSE TOOLS		
	Stores	271,818	233,566
	Spares	2,921,028	2,715,286
	Provision for slow moving spares	(332,172)	(302,164)
		2,588,856	2,413,122
	Loose tools	108	43
	Items in transit	383,863	452,207
		3,244,645	3,098,938

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

		Note	2013	(Restated) 2012
			(Rupees '000)	
21.	STOCK IN TRADE			
	Raw materials		153,461	40,963
	Work in process		67,903	45,216
	Finished goods - manufactured urea		71,424	80,055
	- purchased fertilizer		-	274,029
	Stocks in transit		9,169	1,876
			301,957	442,139
22.	TRADE DEBTS			
	Considered good:			
	Secured		622,725	3,542,257
	Unsecured		77,816	69,219
	Considered doubtful		1,758	1,758
			702,299	3,613,234
	Provision for doubtful debts		(1,758)	(1,758)
			700,541	3,611,476
23.	LOANS AND ADVANCES			
	Current portion of long term loans and advances	18	239,350	238,912
	Loans and advances - unsecured - considered good			
	- Executives		385,981	261,717
	- Others		107,771	49,318
	Advances to suppliers - considered good		188,358	128,030
			921,460	677,977
24.	DEPOSITS AND PREPAYMENTS			
	Deposits		956	953
	Prepayments		36,269	34,717
	Due from Pension Fund		9,759	-
			46,984	35,670
25.	OTHER RECEIVABLES			
	Accrued income on investments and bank deposits		166,219	98,152
	Sales tax receivable		42,486	42,486
	Advance tax	25.1	322,368	322,368
	Receivable from Al-Hamd Foods Limited - unsecured		10,448	-
	Receivable from Workers' Profit Participation Fund - unsecured	25.2	59,495	69,919
	Receivable from FFC Energy Limited - unsecured		118,989	5,458
	Other receivables			
	considered good		70,158	50,284
	considered doubtful		2,232	2,232
	Provision for doubtful receivables		(2,232)	(2,232)
			70,158	50,284
			790,163	588,667

Notes to and forming part of the Financial Statements
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25.1 This represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. The Company intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

		Note	2013	2012
			(Rupees '000)	
25.2	**Workers' Profit Participation Fund (WPPF)**			
	Balance at beginning		69,919	39,304
	Allocation for the year		(1,580,082)	(1,665,449)
	Adjustment for prior years		(6,790)	5,571
	Receipt from fund	25.2.1	(73,552)	(44,507)
	Payment to fund		1,650,000	1,735,000
			59,495	69,919

25.2.1 This represents amount paid to WPPF in prior years' in excess of the Company's obligation.

		Note	2013	2012
			(Rupees '000)	
26.	**SHORT TERM INVESTMENTS**			
	Term deposits with banks and financial institutions			
	Loans and receivables	26.1		
	Local currency (Net of provision for doubtful recovery			
	Rs 3,900 thousand) (2012: Rs 5,850 thousand)		17,420,000	16,800,000
	Foreign currency		1,335,731	1,208,683
			18,755,731	18,008,683
	Investments at fair value through profit or loss	26.2		
	Meezan Balanced Fund		142,000	115,600
	National Investment Trust		-	599,100
	KASB Cash Fund		7,434	6,863
			149,434	721,563
	Current maturity of long term investments			
	Available for sale	17	55,130	20,750
			18,960,295	18,750,996

26.1 These represent investments having maturities ranging between 1 to 12 months and are being carried at cost as management expects there would be insignificant change in the rate of returns on comparable investments. Term deposits receipts amounting to Rs 2,000,000 thousand (2012: Rs 2,650,000 thousand) are under lien of an Islamic financial institution in respect of Istisna facility availed.

26.2 Fair values of these investments are determined using quoted market / repurchase price.

Notes to and forming part of the Financial Statements
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		2013	2012
		(Rupees '000)	
27.	CASH AND BANK BALANCES		
	At banks:		
	Deposit accounts:		
	Local currency	1,358,530	3,729,010
	Foreign currency	751	16,167
		1,359,281	3,745,177
	Cash in hand	2,370	3,455
		1,361,651	3,748,632

Balances with banks include Rs 567,735 thousand (2012: Rs 188,261 thousand) in respect of security deposits received. Local currency deposit accounts include Rs Nil (2012: Rs 93,600 thousand) under lien of a bank, against a guarantee issued on behalf of the Company.

28. SALES

Sales include Rs 4,774,850 thousand (2012: Rs 4,951,027 thousand) in respect of sale of purchased fertilizers and are exclusive of sales tax of Rs 13,484,281 thousand (2012: Rs 11,891,582 thousand).

				(Restated)
			2013	2012
		Note	(Rupees '000)	
29.	COST OF SALES			
	Raw materials consumed		18,614,731	18,479,391
	Fuel and power		6,817,258	6,458,380
	Chemicals and supplies		377,799	253,756
	Salaries, wages and benefits		4,070,292	3,942,049
	Training and employees welfare		708,160	611,338
	Rent, rates and taxes		21,644	28,118
	Insurance		197,739	150,334
	Travel and conveyance	29.1	390,715	347,763
	Repairs and maintenance (includes stores and spares consumed of Rs 1,267,633 thousand; (2012: Rs 1,032,778 thousand)		1,406,520	1,189,644
	Depreciation	15.1	1,538,622	1,339,362
	Amortisation	16.1	31,762	6,980
	Communication and other expenses	29.2	1,827,762	1,248,350
			36,003,004	34,055,465
	Opening stock - work in process		45,216	17,522
	Closing stock - work in process		(67,903)	(45,216)
			(22,687)	(27,694)
	Cost of goods manufactured		35,980,317	34,027,771
	Opening stock of manufactured urea		80,055	7,538
	Closing stock of manufactured urea		(71,424)	(80,055)
			8,631	(72,517)
	Cost of sales - own manufactured urea		35,988,948	33,955,254
	Opening stock of purchased fertilizers		274,029	144,090
	Purchase of fertilizers for resale		3,685,595	4,474,813
			3,959,624	4,618,903
	Closing stock of purchased fertilizers		-	(274,029)
	Cost of sales - purchased fertilizers		3,959,624	4,344,874
			39,948,572	38,300,128

Notes to and forming part of the Financial Statements
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29.1 These include operating lease rentals amounting to Rs 41,670 thousand (2012: Rs 42,498 thousand).

29.2 This includes provision for slow moving spares amounting to Rs 30,008 thousand (2012: Rs 28,194 thousand).

		Note	2013	(Restated) 2012
			(Rupees '000)	
30.	**DISTRIBUTION COST**			
	Product transportation		3,797,513	3,523,928
	Salaries, wages and benefits		1,311,875	1,164,380
	Training and employees welfare		82,640	62,625
	Rent, rates and taxes		101,768	98,185
	Technical services to farmers		10,558	9,916
	Travel and conveyance	30.1	162,629	152,503
	Sale promotion and advertising		123,027	80,365
	Communication and other expenses		420,259	322,137
	Warehousing expenses		70,398	106,315
	Depreciation	15.1	72,024	30,688
	Amortisation	16.1	14,589	2,487
			6,167,280	5,553,529

30.1 These include operating lease rentals amounting to Rs 110,477 thousand (2012: Rs 106,646 thousand).

		2013	2012
		(Rupees '000)	
31.	**FINANCE COST**		
	Mark up on long term borrowings	502,496	506,765
	Mark up on short term borrowings	168,689	427,657
	Bank and other charges	85,030	65,035
		756,215	999,457
32.	**OTHER EXPENSES**		
	Research and development	372,447	394,876
	Workers' Profit Participation Fund (WPPF)	1,580,082	1,665,449
	Adjustment in WPPF relating to prior year charge	-	(5,571)
	Workers' Welfare Fund	603,028	628,381
	Auditors' remuneration		
	Audit fee	1,500	1,500
	Fee for half yearly review, audit of consolidated financial statements and review of Code of Corporate Governance	730	501
	Out of pocket expenses	150	100
		2,557,937	2,685,236

In addition to the auditor's remuneration above, communication and other expenses stated in note 29 and note 30 include auditor's remuneration for taxation and other services amounting to Rs. 8,145 thousand.

Notes to and forming part of the Financial Statements
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		2013	(Restated) 2012
		(Rupees '000)	
33.	**OTHER INCOME**		
	Income from financial assets		
	Income on loans, deposits and investments	1,310,555	1,096,741
	Gain on re-measurement of investments	231,194	151,194
	Dividend income	209,877	82,177
	Exchange gain	119,313	129,374
	Reversal of provision for impairment	-	27,403
	Income from subsidiary		
	Commission on sale of FFBL products	19,979	17,805
	Dividend from FFBL	2,376,165	2,732,590
	Income from non financial assets		
	Gain on disposal of property, plant and equipment	27,008	21,616
	Other income		
	Scrap sales	10,689	4,972
	Others	63,161	3,980
		4,367,941	4,267,852
34.	**PROVISION FOR TAXATION**		
	Current tax	9,195,000	10,015,987
	Deferred tax	89,000	176,000
		9,284,000	10,191,987
	Reconciliation of tax charge for the year		
	Profit before taxation	29,418,548	31,052,114
		2013	**2012**
		%	**%**
	Applicable tax rate	34.00	35.00
	Tax effect of income that is not taxable or taxable at reduced rates	(2.38)	(2.27)
	Effect of reduction in tax rate	(0.32)	-
	Others	0.26	0.09
	Average effective tax rate charged on income	31.56	32.82

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

		2013	(Restated) 2012
35.	**EARNINGS PER SHARE - Basic and diluted**		
	Net profit after tax (Rupees '000)	20,134,548	20,860,127
	Weighted average number of shares in issue ('000)	1,272,238	1,272,238
	Basic and diluted earnings per share (Rupees)	15.83	16.40

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

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2013		2012	
	Chief Executive	Executive	Chief Executive	Executive
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	7,510	1,231,613	7,380	1,104,901
Contribution to provident fund	518	77,355	486	69,654
Bonus and other awards	5,261	1,344,210	4,100	1,200,358
Others including gratuity	8,738	942,546	5,620	810,242
Total	22,027	3,595,724	17,586	3,185,155
No. of person(s)	1	623	1	546

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 thousand (2012: Rs 3,558 thousand) and Rs 58,749 thousand (2012: Rs 81,584 thousand) were paid to the chief executive and executives respectively on separation, in accordance with the Company's policy.

In addition, 14 (2012: 14) directors were paid aggregate fee of Rs 5,125 thousand (2012: Rs 6,250 thousand).

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

		2013	2012
		(Rupees '000)	
37.	CASH GENERATED FROM OPERATIONS		
	Net profit before taxation	29,418,548	31,020,723
	Adjustments for:		
	Depreciation and amortisation	1,656,997	1,370,050
	Provision for slow moving spares	30,008	28,194
	Finance cost	756,215	999,457
	Income on loans, deposits and investments	(1,310,555)	(1,096,741)
	Gain on sale of property, plant and equipment	(27,008)	(21,616)
	Exchange gain - net	(119,313)	(129,374)
	Gain on re-measurement of investments at fair value through profit or loss	(231,194)	(151,194)
	Dividend income	(2,586,042)	(2,814,767)
		(1,830,892)	(1,815,991)
		27,587,656	29,204,732
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	(175,715)	(679,680)
	Stock in trade	140,182	194,784
	Trade debts	2,910,935	(3,524,807)
	Loans and advances	(243,483)	(246,395)
	Deposits and prepayments	(11,314)	18,182
	Other receivables	(133,429)	148,522
	Increase in current liabilities:		
	Trade and other payables	5,694,715	3,817,724
		8,181,891	(271,670)
	Changes in long term loans and advances	(39,622)	(94,903)
	Changes in long term deposits and prepayments	2,457	4,259
	Changes in deferred liabilities	51,509	93,494
		35,783,891	28,935,912
37.1	**Cash flows from operating activities (direct method)**		
	Cash receipts from customers - net	78,377,212	71,794,189
	Cash paid to suppliers / service providers and employees - net	(40,254,024)	(40,035,299)
	Payment to gratuity fund	(91,929)	(83,040)
	Payment to pension fund	(47,191)	(454,661)
	Payment to Workers' Welfare fund - net	(623,729)	(594,784)
	Payment to Workers' Profit Participation fund - net	(1,576,448)	(1,690,493)
	Finance cost paid	(759,038)	(1,054,362)
	Income tax paid	(9,754,711)	(9,235,297)
		25,270,142	18,646,253
38.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	1,361,651	3,748,632
	Short term running finance	(7,000,000)	(4,990,000)
	Short term highly liquid investments	18,650,951	17,812,437
		13,012,602	16,571,069

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

39. FINANCIAL INSTRUMENTS

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

- Credit risk;
- Liquidity risk; and
- 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.

39.1 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:

	2013	2012
	(Rupees '000)	
Long term investments	218,606	253,610
Loans and advances	1,473,510	1,250,733
Deposits	3,048	6,064
Trade debts - net of provision	700,541	3,611,476
Other receivables - net of provision	365,814	153,894
Short term investments - net of provision	18,960,295	18,750,996
Bank balances	1,359,281	3,745,177
	23,081,095	27,771,950

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 6,220,038 thousand (2012: Rs 7,031,505 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 622,725 thousand (2012: Rs 3,542,257 thousand) are secured against letter of guarantee. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts.

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

Impairment losses

The aging of trade debts at the reporting date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees '000)			
Not yet due	680,304	-	3,288,089	-
Past due 1-30 days	20,230	-	301,338	-
Past due 31-60 days	7	-	18,311	-
Past due 61-90 days	-	-	3,738	-
Over 90 days	1,758	1,758	1,758	1,758
	702,299	1,758	3,613,234	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 Nil thousand (2012: Rs 5,850 thousand and Rs Nil thousand (2012: Rs 2,232 thousand) in respect of its short term investment and other receivables respectively.

39.2 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 optimizing 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 as mentioned in note 13 to the financial statements.

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

2013	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	5,749,222	7,300,334	1,062,825	1,045,412	2,260,769	2,931,328	-
Trade and other payables	13,548,266	13,548,266	13,548,266	-	-	-	-
Short term borrowings	7,012,876	7,177,835	7,177,835	-	-	-	-
	26,310,364	28,026,435	21,788,926	1,045,412	2,260,769	2,931,328	-

2012	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 - Restated)			
Long term borrowings	5,321,780	6,662,862	1,064,623	918,316	1,865,838	2,814,085	-
Trade and other payables	7,998,786	7,998,786	7,998,786	-	-	-	-
Short term borrowings	4,996,891	5,022,202	5,022,202	-	-	-	-
	18,317,457	19,683,850	14,085,611	918,316	1,865,838	2,814,085	-

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

39.2.1 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 8 and 13 to these financial statements.

39.3 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.

39.3.1 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:

	2013		2012	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balance	751	7	16,167	166
Investments (Term deposit receipts)	1,335,731	12,748	1,208,683	12,435

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2013	2012	2013	2012
US Dollars	100.71	92.60	104.78	97.20

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at 31 December would have decreased profit and loss by Rs 88,208 thousand (2012: Rs 79,635 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.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

39.3.2 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 2013	Carrying Amount 2012
	(Rupees '000)	
Fixed rate instruments		
Financial assets	20,292,748	21,925,879
Variable rate instruments		
Financial assets	96,000	102,341
Financial liabilities	12,740,000	10,293,750

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit 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 2012.

	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2013		
Cash flow sensitivity - Variable rate instruments	(44,836)	44,836
December 31, 2012		
Cash flow sensitivity - Variable rate instruments	(49,260)	49,260

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 1,026 thousand after tax (2012: Rs 1,059 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 1,012 thousand after tax (2012: Rs 7,232 thousand). The analysis is performed on the same basis for 2012 and assumes that all other variables remain the same.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

39.4 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, 2013 Carrying amount	December 31, 2013 Fair value	December 31, 2012 Carrying amount	December 31, 2012 Fair value
		(Rupees '000)			
				(Restated)	(Restated)
Assets carried at amortised cost					
Loans and advances	18 and 23	1,473,510	1,473,510	1,250,733	1,250,733
Deposits	19 and 24	3,048	3,048	6,064	6,064
Trade debts - net of provision	22	700,541	700,541	3,611,476	3,611,476
Other receivables	25	365,814	365,814	153,894	153,894
Short term investments	26	18,960,295	18,960,295	18,008,683	18,008,683
Cash and bank balances	27	1,361,651	1,361,651	3,748,632	3,748,632
		22,864,859	22,864,859	26,779,482	26,779,482
Assets carried at fair value					
Long term investments	17	218,606	218,606	253,610	253,610
Short term investments	26	204,564	204,564	742,313	742,313
		423,170	423,170	995,923	995,923
Liabilities carried at amortised cost					
Long term borrowings	8	5,749,222	5,749,222	5,321,780	5,321,780
Trade and other payables	10	13,548,266	13,548,266	7,998,786	7,998,786
Short term borrowings	13	7,012,876	7,012,876	4,996,891	4,996,891
		26,310,364	26,310,364	18,317,457	18,317,457

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).

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

	Level 1	Level 2	Level 3
		Rupees '000	
December 31, 2013			
Assets carried at fair value			
Available for sale investments	96,000	177,736	-
Investments at fair value through profit and loss account	149,434	-	-
	245,434	177,736	-
December 31, 2012			
Assets carried at fair value			
Available for sale investments	102,341	172,019	-
Investments at fair value through profit or loss account	721,563	-	-
	823,904	172,019	-

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

39.5 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 at fair value through profit and loss account

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.

39.6 Capital management

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

40. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2012: 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 18, 23 and 36 to the financial statements respectively.

	2013	(Restated) 2012
	(Rupees '000)	
Transactions with subsidiary companies		
Expenses charged on account of marketing		
of fertilizer on behalf of subsidiary company	835,558	605,544
Commission on sale of subsidiary company's products	19,979	17,805
Services and materials provided	55,150	12,807
Payments under consignment account	66,026,408	52,718,382
Services and materials received	10,889	1,239
Dividend income	2,376,165	2,732,590
Balance payable at the year end - unsecured	347,142	2,969,967
Balance receivable at the year end - unsecured	118,989	5,458
Investments in TDRs issued by subsidiary company and		
outstanding at the year end	2,570,000	-
Bank balance at the year end	62,306	-
Long term investments	2,267,750	850,000
Company's assets are secured against guarantees given by		
the banks on behalf of FFCEL, refer note 17.4.		
Transactions with associated undertaking / companies due to		
common directorship		
Sale of fertilizer	4,825	14,686
Services provided	91	3,815
Dividend income	117,185	-
Dividend paid	9,225,286	7,889,327
Bonus shares issued	-	1,880,792
Purchase of gas as feed and fuel stock	23,915,067	23,501,851
Services received	358,494	461,109
Balance receivable at the year end (included in note 25)	8,726	6,611
Balance payable at the year end	9,262,274	1,074
Advances at the year end - unsecured	-	1,043
Other related parties		
Payments to:		
Employees' Provident Fund Trust	287,927	269,285
Employees' Gratuity Fund Trust	91,929	83,040
Employees' Pension Fund Trust	47,191	454,661
Others:		
Balance payable to Employees' Fund Trusts	436,283	418,305
Balance receivable from Employees' Fund Trusts	9,759	-

Notes to and forming part of the Financial Statements
for the year ended December 31, 2013

41. POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on January 29, 2014 has proposed a final dividend of Rs 4.00 per share.

42. GENERAL

		2013	2012
		(Tonnes '000)	
42.1	**Production capacity**		
	Design capacity	2,048	2,048
	Production during the year	2,408	2,405

42.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 216,000 thousand and Rs 7,930,000 thousand (2012: Rs 2,244,226 thousand and Rs 10,730,000 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.

42.3 During the year, an amount of Rs 355,000 thousand (2012: Rs 55,000 thousand) was donated for the projects of Fauji Foundation, Fauji Towers Tipu Road Rawalpindi (associated undertaking). Directors' interest in the projects of Fauji Foundation is limited to the extent of their involvement in Fauji Foundation as management personnel:

2013	2012
Lt Gen Muhammad Mustafa Khan, HI (M) (Retd)	Lt Gen Muhammad Mustafa Khan, 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 Dr. Gulfam Alam, SI (M) (Retd)

Donation and CSR expense for the year also included Rs 90,558 thousand (2012: Rs 101,200 thousand), paid through Sona Welfare Foundation, 93, Harley Street, Rawalpindi (associated undertaking). Interest of Lt Gen Naeem Khalid Lodhi, HI (M) (Retd) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

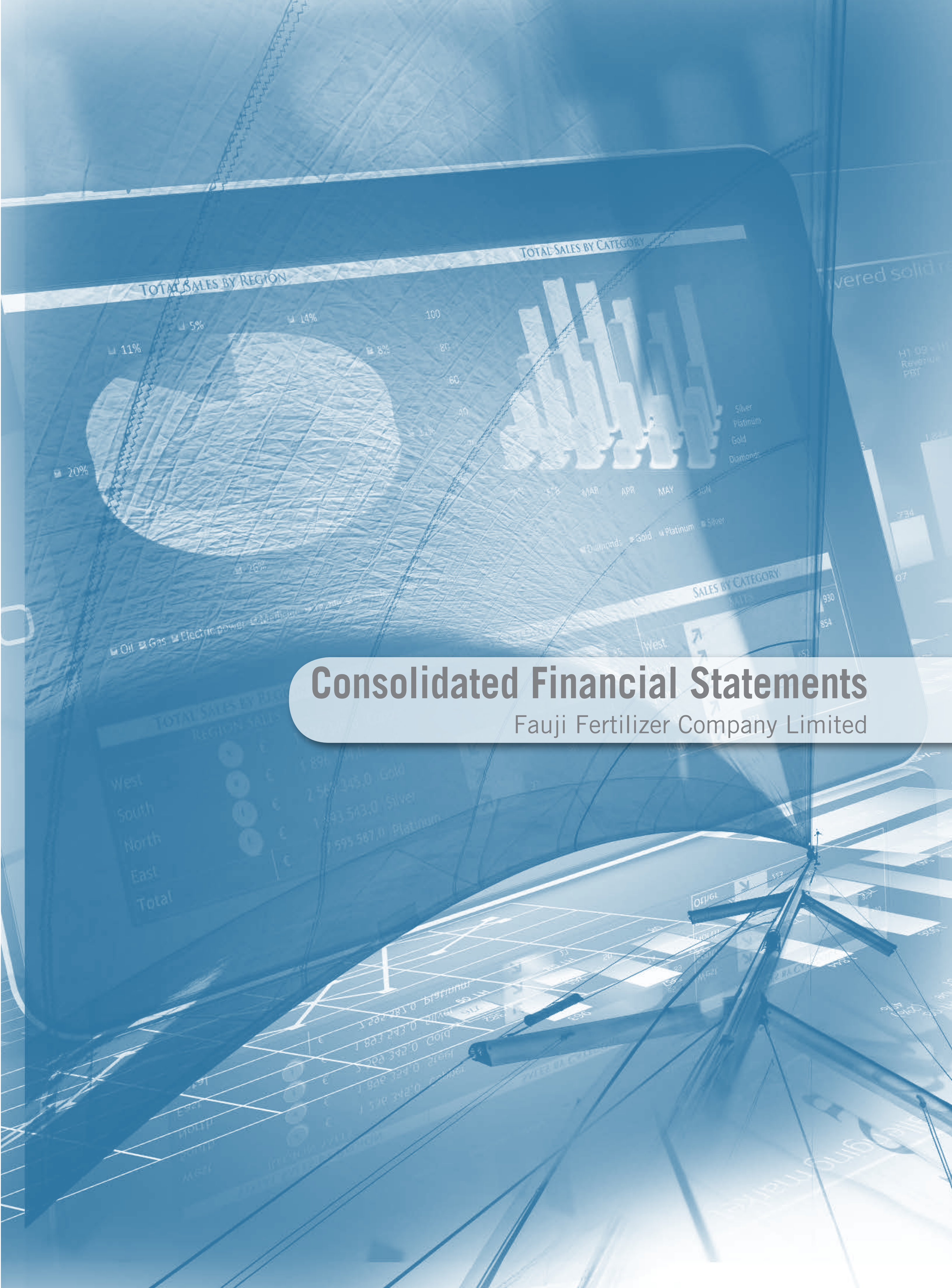
		2013	2012
42.4	**Number of employees**		
	Total number of employees at end of the year	2,319	2,305
	Average number of employees for the year	2,312	2,309

42.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

42.6 These Financial Statements have been authorised for issue by the Board of Directors of the Company on January 29, 2014.

Chairman	Chief Executive	Director



Consolidated Financial Statements

Fauji Fertilizer Company Limited

Auditor's Report to the Members
of Fauji Fertilizer Company Limited

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Fauji Fertilizer Company Limited (the Holding Company) and its subsidiary companies, Fauji Fertilizer Bin Qasim Limited, FFC Energy Limited and Al Hamd Foods Limited as at December 31, 2013 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. The financial statements of Askari Bank Limited, a subsidiary company, have not been consolidated pursuant to exemption from Securities and Exchange Commission of Pakistan as explained in note 2 to the consolidated financial statements. We have also expressed separate opinion on the financial statements of Fauji Fertilizer Company Limited. The financial statements of the subsidiary companies, Fauji Fertilizer Bin Qasim Limited, FFC Energy Limited, Al Hamd Foods Limited and Askari Bank Limited, have been audited by another firm of chartered accountants whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditor. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the Auditing Standards as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Fauji Fertilizer Company Limited and its subsidiary companies, Fauji Fertilizer Bin Qasim Limited, FFC Energy Limited and Al Hamd Foods Limited as at December 31, 2013 and the results of their operations for the year then ended.

The consolidated financial statements of Fauji Fertilizer Company Limited for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on January 23, 2013.

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Engagement Partner: M. Imtiaz Aslam

Islamabad
February 17, 2014

Consolidated Balance Sheet
as at December 31, 2013

	Note	2013	(Restated) 2012	(Restated) 2011
			(Rupees '000)	
EQUITY AND LIABILITIES				
ATTRIBUTABLE TO EQUITY HOLDERS OF FAUJI FERTILIZER COMPANY LIMITED				
Share capital	5	12,722,382	12,722,382	8,481,588
Capital reserves	6	1,330,727	1,001,062	972,682
Revenue reserves	7	14,376,567	14,241,618	15,876,192
Surplus on remeasurement of investments available for sale to fair value		10,508	7,695	10,258
		28,440,184	27,972,757	25,340,720
NON - CONTROLING INTERESTS		6,757,655	6,157,734	6,656,556
TOTAL EQUITY		35,197,839	34,130,491	31,997,276
NON - CURRENT LIABILITIES				
Long term borrowings	8	14,391,192	13,643,915	10,080,890
Deferred liabilities	9	7,538,766	7,623,903	7,294,847
Liability against assets subject to finance lease		564	-	-
		21,930,522	21,267,818	17,375,737
CURRENT LIABILITIES				
Trade and other payables	10	30,466,496	24,407,307	21,620,781
Interest and mark-up accrued	12	290,784	308,611	496,159
Short term borrowings	13	14,985,128	14,206,660	16,211,794
Current portion of long term borrowings	8	3,812,186	3,749,199	2,263,856
Current portion of liability against assets subject to finance lease		849	-	-
Taxation		4,710,797	5,013,177	4,425,068
		54,266,240	47,684,954	45,017,658
		111,394,601	103,083,263	94,390,671
CONTINGENCIES AND COMMITMENTS	14			

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

	Note	2013	(Restated) 2012	(Restated) 2011
			(Rupees '000)	
ASSETS				
NON - CURRENT ASSETS				
Property, plant and equipment	15	44,314,880	42,679,047	37,161,882
Intangible assets	16	2,014,919	1,687,919	1,615,633
Long term investments	17	23,478,872	6,651,857	5,753,941
Long term loans and advances	18	740,408	700,786	605,883
Long term deposits and prepayments	19	83,055	83,762	90,487
		70,632,134	51,803,371	45,227,826
CURRENT ASSETS				
Stores, spares and loose tools	20	5,352,138	5,110,420	4,353,190
Stock in trade	21	1,431,214	5,318,444	4,043,916
Trade debts	22	2,871,255	6,080,551	733,185
Loans and advances	23	1,500,047	1,126,040	872,320
Deposits and prepayments	24	84,014	59,564	67,009
Other receivables	25	1,046,439	710,611	1,055,982
Short term investments	26	24,283,431	20,300,996	30,632,717
Cash and bank balances	27	4,193,929	12,573,266	7,404,526
		40,762,467	51,279,892	49,162,845
		111,394,601	103,083,263	94,390,671

Chairman Chief Executive Director

Consolidated Profit and Loss Account

for the year ended December 31, 2013

	Note	2013	(Restated) 2012
		(Rupees '000)	
Sales	28	130,432,601	122,251,581
Cost of sales	29	80,359,834	74,750,170
GROSS PROFIT		50,072,767	47,501,411
Administrative and distribution expense	30	10,744,871	9,213,494
		39,327,896	38,287,917
Finance cost	31	2,888,356	2,691,660
Other expenses	32	3,187,336	3,251,369
		33,252,204	32,344,888
Other income	33	2,549,431	2,429,728
Share in (loss) / profit of equity accounted investments		(143,834)	71,576
NET PROFIT BEFORE TAXATION		35,657,801	34,846,192
Provision for taxation	34	11,996,657	12,329,957
NET PROFIT AFTER TAXATION		23,661,144	22,516,235
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		20,908,121	20,390,333
Non - Controlling Interests		2,753,023	2,125,902
		23,661,144	22,516,235
			(Restated)
Earnings per share - basic and diluted (Rupees)	35	16.43	16.03

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Chairman

Chief Executive

Director

Consolidated Statement of Comprehensive Income
for the year ended December 31, 2013

	2013	(Restated) 2012
	(Rupees '000)	
Net profit after taxation	23,661,144	22,516,235
Other comprehensive income		
Exchange difference on translating foreign investment	490,355	42,198
Surplus / (deficit) on remeasurement of investments available for sale to fair value	795	(1,356)
Deferred tax (charge) / credit relating to remeasurement of investments available for sale to fair value	2,018	(1,207)
	2,813	(2,563)
Gain on remeasurement of staff retirement benefit plans	33,135	48,720
Deferred tax (charge) relating to remeasurement of staff retirement benefit plans	(24,619)	(21,498)
	8,516	27,222
Other comprehensive income - net of tax	501,684	66,857
Total comprehensive income for the year	24,162,828	22,583,092
ATTRIBUTABLE TO:		
Equity holders of Fauji Fertilizer Company Limited	21,268,522	20,443,372
Non - controlling interests	2,894,306	2,139,720
	24,162,828	22,583,092

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Chairman

Chief Executive

Director

Consolidated Cash Flow Statement
for the year ended December 31, 2013

	Note	2013	2012
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	52,083,802	33,610,676
Finance cost paid		(3,242,184)	(3,658,326)
Income tax paid		(12,624,972)	(11,523,193)
Net cash generated from operating activities		36,216,646	18,429,157
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,021,682)	(7,264,228)
Proceeds from sale of property, plant and equipment		69,355	39,246
Interest received		1,700,985	1,643,744
Investment in Askari Bank Limited		(15,692,911)	-
Investment in Al-Hamd Foods Limited		(585,474)	-
Investment in Foundation Wind Energy-I Limited		(603,664)	-
Investment in Foundation Wind Energy-II (Private) Limited		(357,546)	-
Investment in Fauji Meat Limited		(1,000)	-
Investment in Fauji Food Limited		(1,000)	-
(Increase) / decrease in other investments - net		(3,385,932)	10,086,332
Dividends received		458,052	577,457
Net cash (used in) / generated from investing activities		(22,420,817)	5,082,551
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		3,192,910	7,700,000
- repayments		(2,976,814)	(2,663,856)
Short term borrowings - net		3,755,000	(2,800,000)
Dividends paid		(22,777,330)	(20,674,225)
Net cash used in financing activities		(18,806,234)	(18,438,081)
Net (decrease) / increase in cash and cash equivalents		(5,010,405)	5,073,627
Cash and cash equivalents at beginning of the year		21,324,043	16,242,855
Effect of exchange rate changes		96,114	7,561
Cash and cash equivalents at end of the year	38	16,409,752	21,324,043

The annexed notes 1 to 45 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, 2013

	Attributable to equity holders of Fauji Fertilizer Company Limited								
		Capital reserves			Revenue reserves				
	Share capital	Capital reserve	Translation reserve	Statutory reserve	General reserve	Unappropriated profit	Surplus/(deficit) on remeasurement of investments available for sale to fair value	Non-controlling interests	Total
	(Rupees '000)								
Balance as at January 1, 2012 - as previously reported	8,481,588	276,184	690,062	6,436	5,543,154	10,755,350	10,258	6,688,550	32,451,582
Change in accounting policy for recognition of									
actuarial gains and losses - note 4.4	-	-	-	-	-	(422,312)	-	(31,994)	(454,306)
Balance at January 1, 2012 - as restated	8,481,588	276,184	690,062	6,436	5,543,154	10,333,038	10,258	6,656,556	31,997,276
Transfer to general reserve	-	-	-	-	4,200,000	(4,200,000)	-	-	-
Total comprehensive income for the year									
Profit after taxation (restated)	-	-	-	-	-	20,390,333	-	2,125,902	22,516,235
Other comprehensive income - net of tax (restated)	-	-	28,380	-	-	27,222	(2,563)	13,818	66,857
	-	-	28,380	-	-	20,417,555	(2,563)	2,139,720	22,583,092
Distribution to owners									
FFC dividends:									
Issue of bonus shares	4,240,794	-	-	-	(4,240,794)	-	-	-	-
Final dividend 2011: Rs 5.25 per share	-	-	-	-	-	(4,452,834)	-	-	(4,452,834)
First interim dividend 2012: Rs. 3.00 per share	-	-	-	-	-	(3,816,715)	-	-	(3,816,715)
Second interim dividend 2012: Rs. 5.00 per share	-	-	-	-	-	(6,361,191)	-	-	(6,361,191)
Third interim dividend 2013: Rs. 2.50 per share	-	-	-	-	-	(3,180,595)	-	-	(3,180,595)
Dividend by FFBL to non - controlling interest holders									
Final dividend 2011: Rs 3.50 per share	-	-	-	-	-	-	-	(1,606,069)	(1,606,069)
Interim dividend 2012: Rs 2.25 per share	-	-	-	-	-	-	-	(1,032,473)	(1,032,473)
	4,240,794	-	-	-	(4,240,794)	(17,811,335)	-	(2,638,542)	(20,449,877)
Balance as at December 31, 2012 (restated)	12,722,382	276,184	718,442	6,436	5,502,360	8,739,258	7,695	6,157,734	34,130,491
Transfer to general reserve	-	-	-	-	1,300,000	(1,300,000)	-	-	-
Total comprehensive income for the year									
Profit after taxation	-	-	-	-	-	20,908,121	-	2,753,023	23,661,144
Other comprehensive income - net of tax	-	-	329,665	-	-	27,923	2,813	141,283	501,684
	-	-	329,665	-	-	20,936,044	2,813	2,894,306	24,162,828
Distribution to owners									
FFC dividends:									
Final dividend 2012: Rs 5.00 per share	-	-	-	-	-	(6,361,191)	-	-	(6,361,191)
First interim dividend 2013: Rs 3.50 per share	-	-	-	-	-	(4,452,834)	-	-	(4,452,834)
Second interim dividend 2013: Rs 3.75 per share	-	-	-	-	-	(4,770,893)	-	-	(4,770,893)
Third interim dividend 2013: Rs 4.10 per share	-	-	-	-	-	(5,216,177)	-	-	(5,216,177)
Dividend by FFBL to non - controlling interest holders									
Final dividend 2012: Rs. 2.25 per ordinary share	-	-	-	-	-	-	-	(1,032,460)	(1,032,460)
First interim dividend 2013: Rs. 1.75 per ordinary share	-	-	-	-	-	-	-	(803,043)	(803,043)
Second interim dividend 2013: Rs. 1 per ordinary share	-	-	-	-	-	-	-	(458,882)	(458,882)
	-	-	-	-	-	(20,801,095)	-	(2,294,385)	(23,095,480)
Balance as at December 31, 2013	12,722,382	276,184	1,048,107	6,436	6,802,360	7,574,207	10,508	6,757,655	35,197,839

The annexed notes 1 to 45 form an integral part of these consolidated financial statements.

Chairman | Chief Executive | Director

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

1. **STATUS AND NATURE OF BUSINESS**

Fauji Fertilizer Limited Group (the Group) comprises of Fauji Fertilizer Company Limited (FFC / parent company) and its subsidiaries, Fauji Fertilizer Bin Qasim Limited (FFBL), FFC Energy Limited (FFCEL), Askari Bank Limited (AKBL) and Al Hamd Foods Limited (AHFL) incorporated in Pakistan as public limited companies. During the year FFC acquired effective share holding of 54.1% (43.1% direct interest and effective 11.1% interest acquired through its subsidiary FFBL) of AKBL and 100% shareholding of AHFL.

The shares of FFC, FFBL and AKBL are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered offices of FFC, FFBL, AKBL and FFCEL are situated in Rawalpindi. The registered office of AHFL is situated in Lahore, Pakistan.

The principal activity of FFC and FFBL is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical, other manufacturing and banking operations. AKBL is a commercial bank that obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. FFCEL has setup a 49.5 MW wind energy power project. AHFL will principally be engaged in the business of processing fresh, frozen fruit, vegetables, fresh meat, frozen cooked and semi cooked food.

2. **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.

Exercising the powers conferred under Section 237(8) of the Companies Ordinance, 1984, the Securities and Exchange Commission of Pakistan vide letter EMD/233/492/2002-1010 dated January 1, 2014 has relaxed the requirement of subsection (i) of Section 237 of the Ordinance and exempted the Group from consolidating AKBL in its financial statements for the year ended December 31, 2013 subject to disclosure of financial highlights (balance sheet and profit and loss account) of AKBL, disclosure of nature of auditor's opinion on the financial statements of AKBL and availability of the audited financial statements of AKBL to the members at the registered office of FFC without any cost.

3. **USE OF ESTIMATES AND JUDGEMENTS**

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

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

(i) Retirement benefits - note 11
(ii) Estimate of useful life of property, plant and equipment - note 15
(iii) Estimate of recoverable amount of investment in associated companies - note 17
(iv) Provision for taxation - note 34

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 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 are carried at present value of defined benefit obligation net of fair value of plan assets.

4.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional currency.

4.3 Basis of consolidation

The consolidated financial statements include the financial statements of FFC and its subsidiary companies, FFBL 50.88% owned (2012: 50.88% owned), FFCEL 100% owned (2012: 100% owned) and AHFL 100% owned (2012: Nil).

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.

Non controlling 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. Non controlling interest are presented as a separate item in the consolidated financial statements.

As explained in note 2, pursuant to exemption from consolidation granted by SECP, the financial statements of AKBL have not been consolidated and investment in AKBL has been accounted for at cost in these consolidated financial statements. The financial highlights of AKBL and nature of auditor's opinion on the financial statements of AKBL are included in note 43 of these financial statements. Financial statements of AKBL are available for inspection by the members at the registered office of FFC without any cost.

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, 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 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

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

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.

4.4 Retirement benefits

FFC and FFBL operate the following retirement benefit schemes:

Funded gratuity scheme

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

Contributory Provident Fund

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

Funded Pension Scheme

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

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 11 to the consolidated financial statements. All contributions are charged to profit and loss account for the year.

Consequent to the revision of IAS 19 "Employee Benefits" (IAS 19)which is effective for annual periods beginning on or after January 1, 2013, the Group has changed its accounting policy wherein, the actuarial gains and losses (remeasurement gains / losses) on employees' retirement benefit plans are recognised immediately in other comprehensive income. Previously, the actuarial gains / losses in excess of the corridor limit were recognised in profit or loss over the remaining service life of the employees. In accordance with the transitional provisions of IAS 19, the change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated as below. The adoption of above accounting policy has no effect on the cash flow statement.

	Effect for the year ended December 31, 2012 (Rupees '000)
Profit and loss account	
Decrease in cost of sales	24,233
Decrease in administrative and distribution costs	11,053
(Increase) in provision for taxation	(12,350)
Increase in net profit after taxation	22,936
Other Comprehensive Income	
Increase in gain on remeasurement of staff retirement benefit plans	48,720
(Increase) in deferred tax charge relating to remeasurement of staff retirement benefit plans	(21,498)
Increase in other comprehensive income - net of tax	27,222
Increase in equity	50,158
Increase in Earnings per share - basic and diluted (Rupees)	0.02

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

	Cumulative effect upto December 31, 2012	Cumulative effect upto December 31, 2011
	(Rupees '000)	
Balance Sheet		
(Increase) in trade and other payables	(362,652)	(663,860)
Decrease in deferred tax liability	188,056	209,554
(Increase) in taxation	(12,350)	-
(Decrease) in long term deposits and prepayments	(217,202)	-
(Decrease) in equity	(404,148)	(454,306)

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

Compensated absences

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

4.5 Taxation

Income tax expense comprises current and deferred tax.

Current tax

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. 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.

Deferred tax

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 on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences 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.

4.6 Property, plant and equipment and capital work in progress

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

Depreciation is provided on the straight-line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 14. Depreciation on addition in property, plant and equipment is charged from the 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 Group companies and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

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

4.7 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.

4.8 Intangible assets

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 amortisation 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.

Computer software

These are stated at the cash price equivalent of the consideration given i.e. cash and cash equivalent paid less accumulated amortisation and impairment loss, if any. These 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.

Goodwill

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

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

4.9 Investments

4.9.1 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.

4.9.2 Investments at fair value through profit or loss

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

4.9.3 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.

4.9.4 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.

4.10 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realisable value. 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.

4.11 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 4.10) 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.

4.12 Foreign currency transaction and translation

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.

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.

4.13 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.

4.14 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.

4.15 Research and development costs

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

4.16 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.

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

4.17 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.

4.18 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.

Notes to and forming part of the Consolidated Financial Statements
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4.19 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.

4.20 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 amortised cost less subsequent repayments.

4.21 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.

4.22 Trade debts and other receivables

Trade debts 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.

4.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.24 Off-setting of financial assets and liabilities

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

4.25 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on 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.

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

4.26 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.

4.27 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.

4.28 Contingent liabilities

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

4.29 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CE&MD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CE&MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are fertilizer, power project and food.

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

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual reporting periods beginning on or after)
IAS 27	Separate financial statements (Amendments)	January 1, 2014
IAS 32	Financial instruments: Presentation (Amendments)	January 1, 2014
IAS 36	Impairment of assets (Amendments)	January 1, 2014
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2014
IFRS 10	Consolidated financial statements (Amendments)	January 1, 2014
IFRS 12	Disclosure of interests in other entities (Amendments)	January 1, 2014

The management anticipate that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

		Effective date (annual reporting periods beginning on or after)
IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 10	Consolidated financial statements	January 1, 2013
IFRS 11	Joint arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair value measurement	January 1, 2013
IFRIC 21	Levies	January 1, 2014

The following interpretations issued by the IASB have been waived off by SECP effective January 16, 2012:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

5. SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2012: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2012: Rs 15,000,000 thousand).

2013	2012		2013	2012
(Numbers)			(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
1,015,742,345	1,015,742,345	Ordinary shares of Rs 10 each issued as fully paid bonus shares	10,157,423	10,157,423
1,272,238,247	1,272,238,247		12,722,382	12,722,382

5.1 Fauji Foundation held 44.35% (2012: 44.35%) ordinary shares of the Company at the year end.

		Note	2013	2012
			(Rupees '000)	
6.	CAPITAL RESERVES			
	Share premium	6.1	156,184	156,184
	Capital redemption reserve	6.2	120,000	120,000
	Statutory reserve		6,436	6,436
	Translation reserve		1,048,107	718,442
			1,330,727	1,001,062

6.1 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, and its share in share premium of FFBL received on public issue of Rs 45,760,000 ordinary shares in 1996 at the rate of Rs 5 per share.

6.2 Capital redemption reserve

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

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

		Note	2013	(Restated) 2012
			(Rupees '000)	
7.	REVENUE RESERVES			
	General reserve		6,802,360	5,502,360
	Unappropriated profit		7,574,207	8,739,258
			14,376,567	14,241,618
8.	LONG TERM BORROWINGS			
	Loans from banking companies - secured	8.1		
	FFC	8.1		
	i) Al-Baraka Bank (Pakistan) Limited (AIBL)		75,000	125,000
	ii) Dubai Islamic Bank Pakistan Limited (DIBL - 1)		90,000	150,000
	iii) Dubai Islamic Bank Pakistan Limited (DIBL - 2)		450,000	-
	iv) Meezan Bank Limited (MBL - 1)		-	62,500
	v) Meezan Bank Limited (MBL - 2)		500,000	750,000
	vi) Bank of Punjab (BOP - 1)		250,000	375,000
	vii) Bank of Punjab (BOP - 2)		1,000,000	1,000,000
	viii) Allied Bank Limited (ABL)		1,875,000	2,500,000
	ix) United Bank Limited (UBL)		1,500,000	-
	x) Standard Chartered Bank (Pakistan) Limited (SCB)		-	50,000
	xi) Faysal Bank Limited (FBL)		-	160,000
	xii) Habib Bank Limited (HBL)		-	100,000
	xiii) Bank Islami Pakistan Limited (BIPL)		-	31,250
	FFBL	8.2		
	Government of Pakistan (GOP) loan		2,514,867	3,065,986
	Deferred Government assistance		77,935	175,016
			2,592,802	3,241,002
			8,332,802	8,544,752
	FFCEL	8.3		
	Long term financing - secured		9,500,642	9,100,000
	Less: Transaction cost			
	Initial transaction cost		(269,797)	(269,797)
	Amortised during the year		49,634	18,159
			9,280,479	8,848,362
	AHFL	8.4		
	MCB Bank Limited (MCB)		593,910	-
	Less: Transation cost		(4,000)	-
	Amortised during the year		187	-
			590,097	-
			18,203,378	17,393,114
	Less: Current portion shown under current liabilities		3,812,186	3,749,199
			14,391,192	13,643,915

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

8.1 Terms and conditions of long term borrowings are as follows:

	Lenders	Mark up rates p.a. (%)	No of installments outstanding	Date of final repayment
i)	AIBL	6 Months KIBOR+1.00	3 half yearly	June 27, 2015
ii)	DIBL - 1	6 Months KIBOR+0.35	3 half yearly	June 30, 2015
iii)	DIBL - 2	6 Months KIBOR+0.35	9 half yearly	June 26, 2018
iv)	MBL - 2	6 Months KIBOR+0.50	4 half yearly	December 31, 2015
v)	BOP - 1	6 Months KIBOR+0.50	4 half yearly	December 30, 2015
vi)	BOP - 2	6 Months KIBOR+0.50	8 half yearly	December 27, 2017
vii)	ABL	6 Months KIBOR+0.50	6 half yearly	December 23, 2016
viii)	UBL	6 Months KIBOR+0.35	8 half yearly	December 27, 2018

These finances are secured by an equitable mortgage on the FFC's assets and hypothecation of all FFC assets including plant and machinery, stores, spares and loose tools and all other moveable properties including stocks and book debts, ranking pari passu with each other with 25% margin. Certain finances were pre-maturely settled during the year without incurring any prepayment penalty.

8.2 This represents balance amount of GoP loan amounting in total of Rs. 9,723,015 thousand which is repayable in equal installments in 15 years with 1 year grace at zero percent effective November 30, 2001. As per restructuring agreement, final installment will be paid in June 2017. This loan in accordance with International Accounting Standard-39 "Financial Instruments: Recognition and Measurement" is stated at its fair value and the difference is recognised as Deferred Government assistance. Deferred Government assistance is being amortised to fully offset the financial charge on the loan at an imputed rate of 7%. The amount amortised and offset against financial charges during the year amounted to Rs. 624,514 thousand.

Under the terms of restructuring with GoP, the excess cash, which may arise based on a pre-defined mechanism, shall be shared by the FFBL with GoP through prepayment of GoP loan. In this regard the FFBL appointed, third party auditor selected by Ministry of Finance (MoF) as per the provisions of GoP letter dated May 10, 2002 for the examination of the FFBL's financial record relating to the FFBL's determination of the amount of excess cash and prepayment to GoP. The draft report of third party auditor is under consideration and has been submitted to MoF for review and concurrence. Notwithstanding, a provisional amount of Rs. 1,360,481 thousand has been transferred to current portion as prepayment of GoP loan on the basis of excess cash determination mechanism as per GoP letter. The FFBL is in the process of finalizing the determination with GoP.

Loans from Export Credit Agencies (ECA), which were assumed by GoP, were initially secured by a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions, which guarantee is secured by first equitable mortgage created on all immovable properties of the FFBL and by way of hypothecation of movable properties of the 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 the 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, three ECA have released the guarantee of HBL and have returned the original documents.

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Since one ECA has yet to release HBL from its responsibility as guarantor therefore, charge related to portion of the said guarantee on assets of the FFBL has not been vacated up to December 31, 2013. The FFBL is making efforts in getting this guarantee released.

8.3 This represent long term loan from consortium of ten financial institutions. This loan carries mark up at six months KIBOR plus 295 basis points payable six monthly in arrears whereas the principal amount is repayable in twenty bi-annual installments with a grace period of 2 years. During the year, repayments of loan has commenced effective 30 June 2013.

This loan is secured against:
- First ranking exclusive assignment / mortgage over receivables under Energy Purchase Agreement.
- Lien over and set-off rights on project accounts.
-First ranking, hypothecation charge over all moveable Assets of FFCEL.
- Exclusive mortgage over lease rights in immovable property on which project situate.

The Common Term Agreement contains certain covenants as to security, EPC, O&M, Project Account, Insurance, Tax and Financial Statements of the Project and Conditions Precedents (CPs) to each disbursements of loan. The major disbursements CPs includes that all representations and warranties to be true and correct, no event of default is subsisting and maintenance of debt to equity ratio.

8.4 This represents utilized portion of a term finance loan facility of Rs. 1.6 billion (including letter of credit sub-limit of Rs. 750 million). This facility carries mark-up @ six months' average KIBOR plus 0.50% per annum, which is payable semi annually. This facility is repayable in six equal semi-annual installments starting from April 2016. This is secured against hypothecation charge over all present and future fixed assets (excluding land and building) of AHFL to the extent of Rs. 2.133 billion, mortgage charge by way of constructive deposit of title deeds over the immovable properties of the AHFL comprising land measuring 371 kanals and 02 Marlas, together with present and future construction, fitting, fixtures and installations thereon in favour of the Bank up to an amount of Rs. 2.133 billion.

		Note	2013	(Restated) 2012
			(Rupees '000)	
9.	DEFERRED LIABILITIES			
	Deferred taxation	9.1	6,361,908	6,629,237
	Provision for compensated leave absences	9.2	1,176,858	994,666
			7,538,766	7,623,903

Notes to and forming part of the Consolidated Financial Statements
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		2013	(Restated) 2012
		(Rupees '000)	
9.1	**Deferred taxation**		
	The balance of deferred tax is in respect of the following major temporary differences:		
	Accelerated depreciation / amortisation	6,694,906	6,966,482
	Provision for slow moving spares, doubtful debts, other receivables and investments	(169,561)	(185,676)
		6,525,345	6,780,806
	Share of profit of associate - net	-	34,469
	Retirement benefit obligation	(163,437)	(188,056)
	Remeasurement of investment available for sale	-	2,018
		6,361,908	6,629,237

At 31 December 2013, a deferred tax liability of Rs 318,096 thousand (2012: Rs 427,687 thousand) on temporary difference of Rs 935,575 thousand (2012: Rs 1,221,964 thousand) related to investment in the joint venture was not recognised as the Group companies control the timing of reversal of temporary differences.

		2013	2012
		(Rupees '000)	
9.2	**Movement of provision for compensated leave absences:**		
	Balance at the beginning	994,666	907,070
	Provision during the year	311,133	182,822
		1,305,799	1,089,892
	Encashed during the year	(128,941)	(95,226)
	Balance at the end	1,176,858	994,666

Actuarial valuation has not been carried out as the impact is considered to be immaterial.

		Note	2013	(Restated) 2012
			(Rupees '000)	
10.	TRADE AND OTHER PAYABLES			
	Creditors		13,678,058	7,703,618
	Accrued liabilities		5,078,342	4,881,006
	Sales tax payable - net		814,939	1,830,276
	Deposits		196,107	188,260
	Retention money		123,418	152,370
	Advances from customers		6,944,513	6,168,476
	Workers' Welfare Fund		2,022,640	1,865,220
	Gratuity fund payable	11	609,936	542,181
	Unclaimed dividend		750,119	431,969
	Other liabilities		248,424	643,931
			30,466,496	24,407,307

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

11.	RETIREMENT BENEFIT FUNDS	Funded gratuity	Funded pension	2013 Total	(Restated) 2012 Total
			(Rupees '000)		
i)	**The amounts recognised in the balance sheet are as follows:**				
	Present value of defined benefit obligation	2,076,036	2,305,885	4,381,921	3,978,300
	Fair value of plan assets	(1,466,100)	(2,315,644)	(3,781,744)	(3,436,119)
		609,936	(9,759)	600,177	542,181
ii)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	125,947	88,682	214,629	198,467
	Past service cost	(5,278)	-	(5,278)	-
	Net interest cost	57,797	5,699	63,496	62,380
		178,466	94,381	272,847	260,847
iii)	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	1,839,290	2,139,010	3,978,300	3,449,192
	Current service cost	125,947	88,682	214,629	198,467
	Past service cost	(5,278)	-	(5,278)	-
	Interest cost	210,510	259,234	469,744	440,620
	Benefits paid	(198,149)	(129,250)	(327,399)	(298,574)
	Remeasurement of defined benefit obligation	103,716	(51,791)	51,925	188,595
	Present value of defined benefit obligation at end	2,076,036	2,305,885	4,381,921	3,978,300
iv)	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	1,347,452	2,088,667	3,436,119	2,547,020
	Expected return on plan assets	152,713	253,535	406,248	378,240
	Contributions	134,525	47,191	181,716	572,118
	Benefits paid	(198,149)	(129,250)	(327,399)	(298,574)
	Remeasurement of plan assets	29,559	55,501	85,060	237,315
	Fair value of plan assets at end	1,466,100	2,315,644	3,781,744	3,436,119
v)	**Actual return on plan assets**	182,272	309,036	491,308	615,555
vi)	**Contributions expected to be paid to the plan during the next year**	221,850	103,826	325,676	231,730
vii)	**Plan assets comprise of:**				
	Investment in debt securities	615,360	1,424,179	2,039,539	1,181,920
	Investment in equity securities	467,347	760,424	1,227,771	142,464
	Deposits with banks	255,831	110,222	366,053	254,726
	Mutual Funds	127,562	20,819	148,381	198,234
	Term deposits receipts	-	-	-	1,477,329
	National investment trust units	-	-	-	189,759
	Others	-	-	-	(8,313)
		1,466,100	2,315,644	3,781,744	3,436,119

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

	Funded gratuity		Funded pension	
		(Restated)		(Restated)
	2013	2012	2013	2012
	(Rupees '000)		(Rupees '000)	
ix) Movement in liability / (asset) recognised in balance sheet:				
Opening liability	491,838	440,604	50,343	461,568
Cost for the year recognised in profit or loss	178,466	173,247	94,381	87,600
Employer's contribution during the year	(134,525)	(117,457)	(47,191)	(454,661)
Total amount of remeasurement recognised in Other Comprehensive Income (OCI) during the year	74,157	(4,556)	(107,292)	(44,164)
Closing liability / (asset)	609,936	491,838	(9,759)	50,343
x) Remeasurements recognised in OCI during the year:				
Remeasurement (loss) / gain on obligation	(103,716)	(97,833)	51,791	(90,762)
Remeasurement gain / (loss) on plan assets	29,559	102,389	55,501	134,926
Remeasurement gain / (loss) recognised in OCI	(74,157)	4,556	107,292	44,164

	2013		2012	
	Funded gratuity	Funded pension	Funded gratuity	Funded pension
	(Percentage)			
xi) Principal actuarial assumptions used in the actuarial valuations are as follows:				
Discount rate	13	13	11.5-12	12
Expected rate of salary growth				
Management	13	13	11.5-12	12
Non- Management	12	-	11	-
Expected rate of return on plan assets	13	13	11.5-12	12
Expected rate of increase in post retirement pension	-	7	-	6
Demographic assumptions				
Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)	LIC (1975-79)	LIC (1975-79)
Rates of employee turnover				
Management	Moderate	Moderate	Moderate	Moderate
Non management	Light	-	Light	-

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xii) **Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease
	(Rupees '000)	
Discount rate	(246,751)	292,249
Future salary growth	123,451	(114,891)
Future pension	87,389	(74,282)

The impact of changes in financial assumptions has been determined by revaluation of the obligations on different rates.

xiii) **The weighted average number of years of defined benefit obligation is given below:**

Plan Duration

	Gratuity	Pension
	(Years)	
December 31, 2013	7.23	11.58

xiv) The Group contributes to the pension and gratuity funds on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any deficit. If there is a surplus, the Group takes a contribution holiday.

xv) **Projected benefit payments from funds are as follows:**

	Gratuity	Pension
	(Rupees '000)	
FY 2014	220,551	184,671
FY 2015	154,711	150,594
FY 2016	242,789	213,340
FY 2017	211,270	209,592
FY 2018	291,537	267,408
FY 2019 - FY 2023	1,433,354	1,520,575
FY 2024 - FY 2028	1,988,088	2,404,608

xvi) "Salaries, wages and benefits" expense, stated in notes 29 and 30 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs 178,466 thousand, Rs 156,662 thousand, Rs 94,381 thousand and Rs 311,133 thousand respectively (2012: Rs 260,847 thousand, Rs 137,855 thousand, Rs 87,600 thousand and Rs 182,822 thousand respectively).

Notes to and forming part of the Consolidated Financial Statements
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		2013 Total	2012 Total
		(Rupees '000)	
11.1	**Defined contribution plans**		
	Details of the Staff Provident Funds based on unaudited financials statements for the year ended December 31, 2013 are as follows:		
	Size of the fund (total assets)	5,307,850	4,630,653
	Cost of investments made	4,517,525	3,910,461
	Fair value of investments made	4,813,362	4,435,623
		%	%
	Percentage of investments made	91	96

	2013		2012	
Breakup of investment - at cost	Rs '000	% age	Rs '000	% age
Term deposits and funds with scheduled banks	2,619,440	58	1,875,760	48
Government securities	37,908	1	53,335	1
Listed securities, mutual funds and term finance certificates	1,860,177	41	1,981,366	51
	4,517,525	100	3,910,461	100

Investments out of provident funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose, except for the prescribed limit for listed securities.

		Note	2013	2012
			(Rupees '000)	
12.	INTEREST AND MARK-UP ACCRUED			
	On long term borrowings		41,856	21,114
	On short term borrowings		248,928	287,497
			290,784	308,611
13.	SHORT TERM BORROWINGS			
	FFC			
	From banking companies and financial institutions	13.1		
	i) MCB Bank Limited		1,200,000	1,000,000
	ii) Meezan Bank Limited (MBL - 1)		1,200,000	300,000
	iii) Meezan Bank Limited (MBL - 2)		2,000,000	2,000,000
	iv) Bank Islami Pakistan Limited (BIPL)		600,000	690,000
	v) Allied Bank Limited (ABL)		2,000,000	1,000,000
	FFBL			
	From banking companies and financial institutions	13.2	7,985,128	9,216,660
			14,985,128	14,206,660

13.1 Terms and conditions of short term borrowings are as follows:

	Lender	Mark-up rate p.a. (%)	Maturity date
i)	MCB Bank Limited	3 months KIBOR+ 0.07	March 19, 2014
ii)	Meezan Bank Limited (MBL - 1)	3 months KIBOR+ 0.10	March 13, 2014
iii)	Meezan Bank Limited (MBL - 2)	3 months KIBOR+ 0.05	March 30, 2014
iv)	Bank Islami Pakistan Limited (BIPL)	3 months KIBOR+ 0.10	March 31, 2014
v)	Allied Bank Limited (ABL)	3 months KIBOR+ 0.10	March 31, 2014

The facilities are secured by pari passu and ranking hypothecation charges on assets of FFC. Istisna facility from Mezaan Bank Limited (MBL-2) is secured against lien over Term deposit receipts.

Short term running finance and istisna facilities are available from various banking companies under mark-up / profit arrangements amounting to Rs 10.35 billion (2012: Rs 11.24 billion) which represent the aggregate of sale prices of all mark-up / profit agreements between FFC and respective banks.

13.2 FFBL has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs 22,005,000 thousand (2012: Rs 23,205,000 thousand). These facilities carry mark-up ranging from 9.20% to 11.19% per annum (2012: 9.43% to 10.67% per annum) and are secured by hypothecation of charge on current and fixed assets of FFBL. The purchase prices are repayable on various dates by FFBL.

		2013	2012
		(Rupees '000)	
14.	**CONTINGENCIES AND COMMITMENTS**		
a)	**Contingencies:**		
i)	Guarantees issued by banks on behalf of the Group companies	88,979	151,892
ii)	Claims against FFC and / or potential exposure not acknowledged as debt	50,696	50,696

iii) The Competition Commission of Pakistan has imposed a penalty of Rs 5.5 billion on FFC for alleged unreasonable increase in urea prices during the year 2011. However, the fact remains that price increase was essentially caused by extended gas curtailment and delayed urea imports by the Government of Pakistan resulting in product shortage leading to market imbalance and price hike. FFC has filed an appeal against the above penalty before the Competition Appellate Tribunal. Based on legal advice from the FFC's legal advisor, the FFC is confident that there are reasonable grounds for a favourable decision.

Notes to and forming part of the Consolidated Financial Statements
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			2013	2012
			(Rupees '000)	
iv)	Indemnity bonds and undertakings given to the custom authorities			
	for the machinery imported by FFBL for installation at plant site		119,650	119,650
v)	Group's share of contingencies in Fauji Cement Company Limited			
	as at September 30, 2013.		130,584	122,388
vi)	FFBL's share of contingent liabilities of Foundation Wind			
	Energy - I Limited as at September 30, 2013.		69,619	4,375
vii)	FFBL's share of contingent liabilities of Foundation Wind			
	Energy - II (Private) Limited as at September 30, 2013.		-	4,130
b)	**Commitments in respect of:**			
i)	Capital expenditure		1,916,960	2,816,921
ii)	Purchase of fertilizer, stores, spares and other operational items		3,527,402	2,243,495
iii)	Investment in FFC Energy Limited. FFC's commitment to the bank			
	is secured against all present and future, movable and fixed assets			
	excluding immovable properties, land and buildings of FFC		-	386,000
iv)	Investment in Al-Hamd Foods Limited		550,000	-
v)	FFBL's share of commitments of investment in wind projects		3,022,155	3,983,365
vi)	Group's share of commitments of PMP as at September 30, 2013		271,442	20,196
vii)	Rentals under lease agreements:			
	Premises	- not later than one year	88,464	53,108
		- later than one year and not later than:		
		two years	47,878	30,096
		three years	23,740	24,806
		four years	26,395	23,740
		five years	879	26,395
	Vehicles	- not later than one year	33,292	29,121
		- later than one year and not later than:		
		two years	21,596	28,855
		three years	18,695	21,057
		four years	11,679	15,660
		five years	6,363	8,820
	Land	- later than five years	-	44,905

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Building and structures on freehold land	Building and structures on leashold 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 15.3)	Lease vehicles	Total
	(Rupees '000)														
COST															
Balance as at January 01, 2012	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
Additions	-	-	1,815,124	-	-	376,670	515,508	68,121	18,651	169,025	150,840	1,970	7,701,512	-	10,817,421
Disposals	-	-	(991)	-	-	(907)	-	(25,129)	(11,575)	(62,301)	(28,563)	-	-	-	(129,466)
Transfers / adjustments	-	-	-	440,560	-	1,139,663	-	341	-	33	155	-	(4,328,862)	-	(2,748,110)
Balance as at December 31, 2012	654,811	392,100	4,888,462	2,137,540	26,517	49,854,225	1,475,841	532,187	206,359	707,327	1,675,908	22,280	13,355,596	-	75,929,153
Balance as at January 01, 2013	654,811	392,100	4,888,462	2,137,540	26,517	49,854,225	1,475,841	532,187	206,359	707,327	1,675,908	22,280	13,355,596	-	75,929,153
Acquisition of AHFL	68,709	-	-	-	-	-	-	1,608	1,299	1,075	142	-	981,459	2,439	1,056,731
Additions	-	41,404	418,168	-	-	1,056,589	312,601	448,154	110,031	165,711	237,237	1,902	3,965,985	-	6,757,782
Disposals	-	-	(17,127)	-	-	(122)	-	(19,901)	(4,207)	(76,476)	(12,892)	-	-	-	(130,725)
Transfers / adjustments	-	-	-	211,734	-	12,264,875	-	-	15,825	-	-	-	(15,247,838)	-	(2,755,404)
Balance as at December 31, 2013	723,520	433,504	5,289,503	2,349,274	26,517	63,175,567	1,788,442	962,048	329,307	797,637	1,900,395	24,182	3,055,202	2,439	80,857,537
DEPRECIATION															
Balance as at January 01, 2012	-	171,001	1,665,602	572,253	26,517	25,972,918	502,189	297,972	97,715	385,373	1,117,861	18,025	-	-	30,827,426
Charge for the year	-	18,711	143,499	52,004	-	1,951,392	219,607	48,204	17,556	96,578	161,968	1,753	-	-	2,711,272
Depreciation on disposals	-	-	(921)	-	-	(907)	-	(22,916)	(7,122)	(55,294)	(28,286)	-	-	-	(115,446)
Transfers / adjustments	-	-	-	-	-	(173,168)	-	-	-	-	22	-	-	-	(173,146)
Balance as at December 31, 2012	-	189,712	1,808,180	624,257	26,517	27,750,235	721,796	323,260	108,149	426,657	1,251,565	19,778	-	-	33,250,106
Balance as at January 01, 2013	-	189,712	1,808,180	624,257	26,517	27,750,235	721,796	323,260	108,149	426,657	1,251,565	19,778	-	-	33,250,106
Charge for the year	-	19,730	209,765	69,700	-	2,397,137	288,094	96,105	28,306	109,689	173,566	1,418	-	244	3,393,754
Depreciation on disposals	-	-	-	-	-	(50)	-	(15,335)	(3,573)	(69,607)	(12,638)	-	-	-	(101,203)
Transfers / adjustments	-	-	-	(197)	-	-	-	-	197	-	-	-	-	-	-
Balance as at December 31, 2013	-	209,442	2,017,945	693,760	26,517	30,147,322	1,009,890	404,030	133,079	466,739	1,412,493	21,196	-	244	36,542,657
Written down value as at															
- December 31, 2012	654,811	202,388	3,080,282	1,513,283	-	22,103,990	754,045	208,927	98,210	280,670	424,343	2,502	13,355,596	-	42,679,047
- December 31, 2013	723,520	224,062	3,271,558	1,655,514	-	33,028,245	778,552	558,018	196,228	330,898	487,902	2,986	3,055,202	2,195	44,314,880
Rate of depreciation / amortisation in %	-	6 1/4	5 to 10	5	5	5	20	15	10	20	15 - 33 1/3	30	-		

Notes to and forming part of the Consolidated Financial Statements
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		Note	2013	2012
			(Rupees '000)	
15.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	29	3,286,971	2,689,168
	Administrative and distribution expenses	30	106,783	22,104
			3,393,754	2,711,272

15.2 Details of property, plant and equipment disposed off:

Description	Method of disposal	Cost	Book value	Sale proceeds
			(Rupees '000)	
Office and electrical equipment, furniture and fixture and maintenance and other equipment				
Mr Bismillah Khan	Tender	1,411	643	208
Mr Imtiaz Ahmed Qamar	Auction	622	166	108
Mr Asad Sultan	Tender	351	113	145
M/s EFU Insurance	Insurance claim	609	220	411
Vehicles				
	As per Company policy to employees			
Maj. Saleem Hassan Mahesar (Retd)	- do -	1,306	73	129
Maj. Syed Muhammad Naveed (Retd)	- do -	1,255	105	484
Mr. Ansar Yaqoob	- do -	1,284	374	598
Mr. Faisal Amir	- do -	1,407	88	208
Mr. Ibrahim Dorego	- do -	1,255	79	186
Mr. Kashif Ali	- do -	1,253	78	484
Mr. Akhtar Ali	- do -	1,255	105	484
Syed Muhammad Abbas Rizvi	- do -	1,275	213	470
Mr. Muhammad Saleem Sheikh	- do -	1,286	107	524
Mr. Sultan Jan Niazi	Auction	1,425	154	1,101
M/s EFU Insurance	Insurance claim	4,306	1,596	3,800
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		110,425	25,408	60,015
2013		130,725	29,522	69,355
2012		129,466	14,021	39,246

		2013	2012
		(Rupees '000)	
15.3	**Capital Work in Progress**		
	Civil works including mobilization advance	997,105	758,480
	Plant and machinery including advances to suppliers	2,052,557	12,594,076
	Intangible assets under development	5,540	3,040
		3,055,202	13,355,596

Notes to and forming part of the Consolidated Financial Statements
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		Note	2013	2012
			(Rupees '000)	
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	82,358	118,685
	Goodwill	16.2	1,932,561	1,569,234
			2,014,919	1,687,919
16.1	**Computer Software**			
	Balance at beginning		118,685	46,399
	Additions during the year		19,304	119,874
	Amortisation charged for the year		(55,631)	(47,588)
	Balance at end		82,358	118,685
	Amortisation rate		33 1/3	33 1/3
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	31,762	6,980
	Administrative and distribution expenses	30	23,869	40,608
			55,631	47,588
16.2	**Goodwill**			
	Goodwill on acquisition of PSFL	16.3	1,569,234	1,569,234
	Goodwill on acquisition of AHFL	42	363,327	-
			1,932,561	1,569,234

16.3 This represents excess of the amount paid by FFC over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 16.92%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2013	2012
			(Rupees '000)	
17.	**LONG TERM INVESTMENTS**			
	Askari Bank Limited	17.1	15,692,911	-
	Equity accounted investments	17.2	7,567,355	6,398,247
	Other long term investments	17.3	218,606	253,610
			23,478,872	6,651,857

17.1 Investment in AKBL - at cost

Investment in AKBL represents 526,184 thousand fully paid ordinary shares of Rs 10 each acquired on June 20, 2013 representing 64.7% of AKBL's share capital, being 43.1% direct interest and 21.6% interest acquired through FFBL. In addition, 289,402 thousand shares of Rs 10 each were subscribed by way of right subscription during the year. Acquisition related costs of Rs 7,339 thousand (2012: Rs 11,709 thousand) have been charged to cost of sales and administrative and distribution expenses in the consolidated profit and loss account.

Notes to and forming part of the Consolidated Financial Statements
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Market value of the Group's investment as at December 31, 2013 was Rs 11,419,973 thousand. Based on a valuation analysis carried out by an external investment advisor engaged by FFC, the recoverable amount of investment exceeds its carrying amount. The recoverable amount has been estimated based on a relative valuation calculation. This valuation has been arrived at through comparison of banks with similar standing as AKBL. For the purpose of valuation the price to book value, price to earnings, market capitalization to deposits and market capitalisation to CASA ratios of those banks have been considered.

		Note	2013	2012
			(Rupees '000)	
17.2	**Equity accounted investments**			
	Investment in associated companies - under equity method			
	Fauji Cement Company Limited (FCCL)	17.4		
	Cost of investment		1,800,000	1,800,000
	Post acquisition profits at the begining		309,528	257,196
	Share of profit for the year		180,972	52,332
	Dividend received		(140,622)	-
	Balance at the end		2,149,878	2,109,528
	Foundation Wind Energy-I Limited	17.5		
	Advance for issue of shares - balance at beginning		329,390	119,409
	Advance paid during the year		603,664	233,664
	Share of loss for the year		(9,113)	(23,683)
	Balance at the end		923,941	329,390
	Foundation Wind Energy-II (Private) Limited	17.5		
	Advance for issue of shares - balance at beginning		620,290	93,346
	Advance paid during the year		357,546	547,686
	Share of loss for the year		(6,736)	(20,742)
	Balance at the end		971,100	620,290
	Investment in joint venture - under equity method			
	Pakistan Maroc Phosphore S.A. Morocco (PMP)	17.6		
	Cost of investment		2,117,075	2,117,075
	Post acquisition profits at the beginning		153,657	89,987
	Share of (loss) / profit for the year		(308,958)	63,669
	Gain on translation of net assets		1,558,662	1,068,308
	Balance at the end		3,520,436	3,339,039
	Advance paid against issue of shares			
	Fauji Meat Limited		1,000	-
	Fauji Food Limited		1,000	-
			7,567,355	6,398,247

		Note	2013	2012
			(Rupees '000)	
17.3	**Other long term investments**			
	Investments available for sale			
	Certificates of Investment	17.8	118,239	111,528
	Pakistan Investment Bonds	17.8	59,497	60,491
	Term Finance Certificates	17.8	96,000	102,341
	Arabian Sea Country Club Limited (ASCCL)	17.9		
	(300,000 shares of Rs 10 each)		3,000	3,000
	Less: Impairment in value of investment		(3,000)	(3,000)
			-	-
			273,736	274,360
	Less: Current portion shown under short term investments			
	Certificates of Investment		26,005	12,395
	Pakistan Investment Bonds		29,125	-
	Term Finance Certificates		-	8,355
			55,130	20,750
			218,606	253,610

17.4 Investment in associated company - under equity method

FFC and FFBL have investment in FCCL. Fair value of investment in FCCL as at December 31, 2013 was Rs 1,794,376 thousand (2012: Rs 216,375 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.

FFC and FFBL are committed not to dispose off their investment in FCCL so long as the loan extended to FCCL by Faisal Bank Limited remains outstanding or without prior consent of FCCL.

17.5 Investment in associated company - under equity method

Foundation Wind Energy- I Limited and Foundation Wind Energy-II (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 2014.

17.6 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. 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.

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

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

	September 2013	September 2012	September 2013	September 2012	September 2013	September 2012	September 2013	September 2012
	PMP (Joint venture)		FCCL (Associate)		Foundation Wind Energy - I (Associate)		Foundation Wind Energy - II (Associate)	
Non - current assets	13,443,352	12,646,128	24,936,763	26,223,163	2,948,237	392,051	4,605,271	407,093
Non - current liabilities	(4,503,080)	(5,293,068)	(9,979,584)	(11,007,862)	(3,665,128)	-	(3,378,073)	-
Current assets	10,725,957	13,813,705	6,198,785	4,525,607	2,626,997	159,556	1,474,521	482,671
Current liabilities	(10,279,349)	(12,263,599)	(6,269,133)	(5,435,643)	(86,422)	(8,771)	(299,295)	(11,234)
Revenue for the period	21,834,051	20,881,282	12,405,612	10,757,610	10,996	11,390	18,414	20,804
Expenses for the period	(22,438,397)	(21,555,366)	(10,648,831)	(9,741,587)	(34,415)	(57,490)	(38,424)	(56,532)
Profit / (loss) for the period	(604,346)	(674,084)	1,756,781	1,016,023	(23,419)	(46,100)	(20,010)	(35,728)

Financial statements for the period ended September 30, 2013 have been used for accounting under equity method as these were the latest approved financial statements. Further, results of operations of last quarter of 2012 have also been considered for equity accounting.

17.8 Investments available for sale

Certificates of Investment (COI) / Term deposits receipts

These represent placements in Certificates of Investment / Term deposits receipts of financial institution for periods ranging from one to five years having returns in the range of 7.58% to 14.18% per annum (2012: 8.1% to 14.18% per annum).

Pakistan Investment Bonds (PIBs)

PIBs ranging from 3 to 10 years were purchased and are due to mature within a period of 2 years. Profit is receivable on half yearly basis with coupon rates ranging from 8% to 11.75% per annum (2012: 8% to 11.75% per annum). These PIBs have face value of Rs 59 million.

Term Finance Certificates (TFCs)

These include 20,000 certificates of Rs 5,000 each of Engro Fertilizer Limited (EFL). Profit is receivable on half yearly basis at the rate of six months' KIBOR + 1.55% per annum.

17.9 Arabian Sea Country Club Limited (ASCCL)

As per audited accounts of ASCCL for the year ended June 30, 2013, the break-up value of an ordinary share was Rs 4.39 (June 30, 2012: Rs 8.72).

Notes to and forming part of the Consolidated Financial Statements
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	Note	2013	2012
		(Rupees '000)	
18. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:	18.1		
Executives		693,808	700,878
Other employees		285,950	238,820
		979,758	939,698
Less: Amount due within twelve months, shown under current loans and advances	23	239,350	238,912
		740,408	700,786

18.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2013 Total	2012 Total
		(Rupees '000)		
Balance at January 1	700,878	238,820	939,698	825,299
Disbursements	294,990	132,985	427,975	448,176
	995,868	371,805	1,367,673	1,273,475
Repayments	302,060	85,855	387,915	333,777
Balance at December 31	693,808	285,950	979,758	939,698

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 7% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 769,035 thousand (2012: Rs 700,878 thousand).

	2013	(Restated) 2012
	(Rupees '000)	
19. LONG TERM DEPOSITS AND PREPAYMENTS		
Deposits	82,493	81,423
Prepayments	562	2,339
	83,055	83,762
20. STORES, SPARES AND LOOSE TOOLS		
Stores	619,128	570,987
Spares	4,846,761	4,554,897
Provision for slow moving spares	(497,722)	(467,714)
	4,349,039	4,087,183
Loose tools	108	43
Items in transit	383,863	452,207
	5,352,138	5,110,420

Notes to and forming part of the Consolidated Financial Statements
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		Note	2013	(Restated) 2012
			(Rupees '000)	
21.	STOCK IN TRADE			
	Raw materials		354,496	1,993,458
	Work in process		94,839	58,831
	Finished goods			
	Manufactured urea		619,020	2,074,053
	Purchased fertilizers		-	274,029
	Stocks in transit		362,859	918,073
			1,431,214	5,318,444
22.	TRADE DEBTS			
	Considered good:			
	Secured		2,793,439	6,011,332
	Unsecured		77,816	69,219
	Considered doubtful		1,758	1,758
			2,873,013	6,082,309
	Provision for doubtful debts		(1,758)	(1,758)
			2,871,255	6,080,551
23.	LOANS AND ADVANCES			
	Current portion of long term loans and advances	18	239,350	238,912
	Loans and advances - unsecured - considered good			
	Executives		386,821	263,138
	Others		165,324	114,608
			552,145	377,746
	Advances to suppliers			
	Considered good		708,552	509,382
	Considered doubtful		-	45
	Provision for doubtful advances		-	(45)
			708,552	509,382
			1,500,047	1,126,040
24.	DEPOSITS AND PREPAYMENTS			
	Deposits		12,193	3,175
	Prepayments		62,062	56,389
	Due from Pension Fund		9,759	-
			84,014	59,564

Notes to and forming part of the Consolidated Financial Statements
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		Note	2013	2012
			(Rupees '000)	
25.	**OTHER RECEIVABLES**			
	Accrued income on investments and bank deposits		185,948	137,469
	Sales tax receivable		233,177	111,275
	Advance tax	25.1	325,957	322,368
	Receivable from Workers' Profit Participation			
	Fund - unsecured	25.2	10,032	53,095
	Other receivables			
	Considered good		291,325	86,404
	Considered doubtful		2,232	55,714
	Provision for doubtful receivables		(2,232)	(55,714)
			291,325	86,404
			1,046,439	710,611

25.1 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	2013	2012
			(Rupees '000)	
25.2	**Workers' Profit Participation Fund (WPPF)**			
	Balance at beginning		53,095	22,063
	Allocation for the year		(2,029,763)	(2,013,194)
	Adjustment for prior years		(6,790)	5,571
	Receipt from fund	25.2.1	(73,552)	(44,507)
	Payment to fund		2,067,042	2,083,162
			10,032	53,095

25.2.1 This represents amount paid to WPPF in prior years' in excess of the FFC's obligation.

		Note	2013	2012
			(Rupees '000)	
26.	**SHORT TERM INVESTMENTS**			
	Term deposits with banks and financial institutions			
	Loans and receivables	26.1		
	Local currency (Net of provision for doubtful recovery Rs 3,900 thousand (2012: Rs 5,850 thousand)		18,620,000	18,350,000
	Foreign currency		1,335,731	1,208,683
			19,955,731	19,558,683
	Investments at fair value through profit or loss	26.2		
	Fixed income / money market funds		4,272,570	721,563
	Current maturity of long term investments			
	Available for sale	17	55,130	20,750
			24,283,431	20,300,996

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26.1 These represent investments having maturities ranging between 1 to 12 months and are being carried at cost as management expects there would be insignificant change in the rate of returns on comparable investments. Term deposits receipts amounting to Rs 2,000,000 thousand (2012: Rs 2,650,000 thousand) are under lien of an Islamic financial institution in respect of Istisna facility availed.

26.2 Fair values of these investments are determined using quoted market / repurchase price.

		2013	2012
		(Rupees '000)	
27.	**CASH AND BANK BALANCES**		
	At banks:		
	Deposit accounts		
	Local currency	3,852,524	12,416,948
	Foreign currency	2,806	18,055
		3,855,330	12,435,003
	Current accounts		
	Local currency	335,586	134,278
	Cash in hand	3,013	3,985
		4,193,929	12,573,266

Balances with banks include Rs 567,735 thousand (2012: Rs 188,261 thousand) in respect of security deposits received. Local currency deposit accounts include Rs Nil (2012: Rs 93,600 thousand) under lien of a bank, against a guarantee issued on behalf of FFC. In addition Rs 241,163 thousand (2012: Rs 210,560 thousand) are held under lien by the commercial banks against various facilities of FFBL.

28. **SALES**

Sales include Rs 4,774,850 thousand (2012: Rs 4,951,027 thousand) in respect of sale of purchased fertilizers and are exclusive of trade allowances and sales tax of Rs Nil thousand and Rs 22,660,856 thousand respectively (2012: Rs 205,000 thousand and 11,891,582 thousand).

Notes to and forming part of the Consolidated Financial Statements
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		Note	2013	(Restated) 2012
			(Rupees '000)	
29.	COST OF SALES			
	Raw materials consumed		49,977,147	49,942,521
	Fuel and power		9,302,834	8,731,965
	Chemicals and supplies		651,379	413,278
	Salaries, wages and benefits		5,800,559	5,446,688
	Training and employees welfare		708,160	611,338
	Rent, rates and taxes		46,563	44,790
	Insurance		343,393	251,599
	Travel and conveyance	29.1	540,453	506,732
	Repairs and maintenance (includes stores and spares consumed of Rs 1,267,633 thousand (2012: Rs 1,032,778 thousand)		2,301,288	2,134,250
	Depreciation	15.1	3,286,971	2,689,168
	Amortisation	16.1	31,762	6,980
	Communication and other expenses	29.2	1,990,676	1,355,637
			74,981,185	72,134,946
	Opening stock - work in process		58,831	58,478
	Closing stock - work in process		(94,839)	(58,831)
			(36,008)	(353)
	Cost of goods manufactured		74,945,177	72,134,593
	Opening stock of manufactured urea		2,074,053	344,756
	Closing stock of manufactured urea		(619,020)	(2,074,053)
			1,455,033	(1,729,297)
	Cost of sales - own manufactured urea		76,400,210	70,405,296
	Opening stock of purchased fertilizers		274,029	144,090
	Purchase of fertilizers for resale		3,685,595	4,474,813
			3,959,624	4,618,903
	Closing stock of purchased fertilizers		-	(274,029)
	Cost of sales - purchased fertilizers		3,959,624	4,344,874
			80,359,834	74,750,170

29.1 These include operating lease rentals amounting to Rs 41,670 thousand (2012: Rs 42,498 thousand).

29.2 This includes provision for slow moving spares amounting to Rs 30,008 thousand (2012: Rs 28,194 thousand).

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		Note	2013	(Restated) 2012
			(Rupees '000)	
30.	**ADMINISTRATIVE AND DISTRIBUTION EXPENSES**			
	Administrative expenses	30.1	1,098,324	963,515
	Product transportation		6,369,605	5,650,162
	Salaries, wages and benefits		1,875,234	1,580,381
	Training and employees welfare		82,640	-
	Rent, rates and taxes		141,497	144,156
	Technical services to farmers		16,203	13,481
	Travel and conveyance	30.2	242,972	212,114
	Sale promotion and advertising		146,451	100,456
	Communication and other expenses		554,231	367,037
	Warehousing expenses		87,062	119,480
	Depreciation	15.1	106,783	22,104
	Amortisation	16.1	23,869	40,608
			10,744,871	9,213,494

30.1 Administrative expenses

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

	2013	(Restated) 2012
	(Rupees '000)	
Salaries, wages and benefits	688,605	491,403
Travel and conveyance	183,903	166,744
Utilities	8,710	6,271
Printing and stationery	9,622	7,926
Repairs and maintenance	10,181	14,175
Communication, advertisement and other expenses	23,451	31,762
Rent, rates and taxes	24,821	10,419
Listing fee	1,364	1,612
Donations	47,000	95,213
Legal and professional	48,181	91,721
Miscellaneous	52,486	46,269
	1,098,324	963,515

30.2 These include operating lease rentals amounting to Rs 110,477 thousand (2012: Rs 106,646 thousand).

		2013	2012
		(Rupees '000)	
31.	**FINANCE COST**		
	Mark-up on long term borrowings	1,119,627	506,766
	Mark-up on short term borrowings	1,281,011	1,797,114
	Exchange loss-net	375,979	305,841
	Interest on Workers' Profit Participation Fund	218	921
	Bank charges	111,521	81,018
		2,888,356	2,691,660

Notes to and forming part of the Consolidated Financial Statements
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		2013	2012
		(Rupees '000)	
32.	OTHER EXPENSES		
	Research and development	372,447	394,876
	Workers' Profit Participation Fund (WPPF)	2,029,545	2,006,702
	Workers' Welfare Fund	781,149	748,612
	Property, Plant and Equipment written off	-	96,704
	Auditors' remuneration		
	Audit fee		
	Parent	1,500	1,500
	Subsidiaries	1,815	1,894
	Fee for half yearly review, audit of consolidated financial statements, review of Code of Corporate Governance and Employee funds	730	796
	Out of pocket expenses	150	285
		3,187,336	3,251,369

32.1 In addition to the auditor's remuneration above, communication and other expenses stated in note 29 and note 30 include auditor's remuneration for taxation and other services amounting to Rs 14,545 thousand.

		2013	(Restated) 2012
		(Rupees '000)	
33.	OTHER INCOME		
	Income from financial assets		
	Income on loans, deposits and investments	1,749,464	1,452,485
	Gain on re-measurement of investments	231,194	151,194
	Dividend income	317,430	577,457
	Exchange gain	119,313	-
	Gain / (loss) on sale of investments	6,223	(4,997)
	Reversal of provision for impairment	-	33,253
		2,423,624	2,209,392
	Income from non financial assets		
	Gain on disposal of property, plant and equipment	39,833	25,225
	Other income		
	Scrap sales	22,813	191,131
	Others	63,161	3,980
		85,974	195,111
		2,549,431	2,429,728
34.	PROVISION FOR TAXATION		
	Current tax	12,286,587	12,111,202
	Deferred tax	(289,930)	218,755
		11,996,657	12,329,957

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	2013	2012
	(Rupees '000)	
Reconciliation of tax charge for the year		
Profit before taxation	35,657,801	34,846,192

	2013	2012
Reconciliation of tax charge for the year	(%)	(%)
Applicable tax rate	34.00	35.00
Tax effect of income that is not taxable or taxable at reduced rates	(0.48)	-
Effect of reduction in tax rate	(0.55)	-
Others	0.67	0.38
Average effective tax rate charged on income	33.64	35.38

	2013	(Restated) 2012
35. EARNINGS PER SHARE - Basic and diluted		
Profit after tax atributable to Equity holders of Fauji Fertilizer Company Limited (Rupees '000)	20,908,121	20,390,333
Weighted average number of shares in issue ('000)	1,272,238	1,272,238
Basic and diluted earnings per share (Rupees)	16.43	16.03

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

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2013		2012	
	Chief Executive	Executive	Chief Executive	Executive
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	7,510	1,357,875	7,380	1,793,665
Contribution to provident fund	518	83,362	486	509,303
Bonus and other awards	5,261	1,426,807	4,100	1,230,597
Others including gratuity	8,738	1,012,457	5,620	966,956
Total	22,027	3,880,501	17,586	4,500,521
No. of person(s)	1	686	1	813

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 Group'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 thousand (2012: Rs 3,558 thousand) and Rs 65,921 thousand (2012: Rs 93,974 thousand) were paid to the chief executive and executives respectively on separation, in accordance with the Group's policy.

In addition, 14 (2012: 14) directors were paid aggregate fee of Rs 5,125 thousand (2012: Rs 6,250 thousand).

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		2013	2012
		(Rupees '000)	
37.	CASH GENERATED FROM OPERATIONS		
	Net profit before taxation	35,657,801	34,810,906
	Adjustments for:		
	Depreciation and amortisation	3,449,385	2,758,860
	Provision for slow moving spares	30,008	5,664
	Finance cost	2,888,356	2,385,819
	Income on loans, deposits and investments	(1,749,464)	(1,452,485)
	Gain on sale of property, plant and equipment	(39,833)	(25,225)
	Exchange loss - net	256,666	305,841
	Gain on re-measurement of investments at fair value		
	through profit or loss	(231,194)	(151,194)
	Dividend income	(317,430)	(577,457)
	Gain on sale of investments	6,223	4,997
	Share of profit / (loss) of associate and joint venture	143,834	(71,576)
		4,436,551	3,183,244
		40,094,352	37,994,150
	Changes in working capital		
	(Increase)/ decrease in current assets:		
	Stores and spares	(271,726)	(762,894)
	Stock in trade	3,887,230	(1,274,528)
	Trade debts	3,209,296	(5,347,366)
	Loans and advances	(370,955)	(253,720)
	Deposits and prepayments	(18,150)	7,445
	Other receivables	(286,509)	185,144
	Increase in current liabilities:		
	Trade and other payables	5,695,229	3,150,523
		11,844,415	(4,295,396)
	Changes in long term loans and advances	(39,622)	(94,903)
	Changes in long term deposits and prepayments	2,465	6,825
	Changes in deferred liabilities	182,192	-
		52,083,802	33,610,676
38.	CASH AND CASH EQUIVALENTS		
	Cash and bank balances	4,193,929	12,573,266
	Short term running finance	(7,635,128)	(10,611,660)
	Short term highly liquid investments	19,850,951	19,362,437
		16,409,752	21,324,043

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39. FINANCIAL INSTRUMENTS

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

- Credit risk;
- Liquidity risk; and
- 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.

39.1 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:

	2013	2012
	(Rupees '000)	
Long term investments	218,606	232,860
Loans and advances	1,531,903	1,317,444
Deposits	94,686	84,598
Trade debts - net of provision	2,871,255	6,080,551
Other receivables - net of provision	477,273	223,873
Short term investments	24,283,431	20,300,996
Bank balances	4,190,916	12,569,281
	33,668,070	40,809,603

Geographically there is no concentration of credit risk.

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

The Group's most significant amount receivable is from a bank which amounts to Rs 6,220,038 thousand (2012: Rs 7,032,000 thousand). This is included in total carrying amount of investments as at reporting date.

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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 counter parties as satisfactory. The Group companies do not hold any collateral as security against any of their financial assets other than trade debts.

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

Impairment losses

The aging of trade debts at the reporting date was:

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees '000)			
Not yet due	2,547,868	-	5,757,164	-
Past due 1-30 days	301,338	-	301,338	-
Past due 31-60 days	18,311	-	18,311	-
Past due 61-90 days	3,738	-	3,738	-
Over 90 days	1,758	1,758	1,758	1,758
	2,873,013	1,758	6,082,309	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 Nil thousand (2012: Rs 5,850 thousand) and Rs Nil thousand (2012: Rs 2,232 thousand) in respect of its short term investment and other receivables respectively.

39.2 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 13 to the financial statements.

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

2013	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two year	Two to five year	Five year onwards
	(Rupees '000)						
Long term borrowings	18,203,378	35,444,788	4,649,862	1,045,412	4,466,615	16,998,084	8,284,815
Trade and other payables	20,684,404	20,684,404	20,684,404	-	-	-	-
Short term borrowings							
including mark-up	15,234,056	15,234,056	15,234,056	-	-	-	-
	54,121,838	71,363,248	40,568,322	1,045,412	4,466,615	16,998,084	8,284,815

2012	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two year	Two to five year	Five year onwards
	(Rupees '000 - Restated)						
Long term borrowings	17,414,228	20,165,885	3,690,976	1,062,004	2,857,543	5,079,560	7,475,782
Trade and other payables	14,543,335	14,543,335	15,543,335	-	-	-	-
Short term borrowings							
including mark-up	14,494,157	14,494,157	14,494,157	-	-	-	-
	46,451,720	49,203,377	33,728,468	1,062,004	2,857,543	5,079,560	7,475,782

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

39.2.1 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 8 and 13 to these financial statements.

39.3 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.

39.3.1 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:

	2013		2012	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balance	2,806	27	18,055	186
Investments (term deposit receipts)	1,335,731	12,748	1,208,683	12,435
Creditors	(3,347,101)	(31,651)	(5,501,963)	(56,605)

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate	
	2013	2012	2013	2012
US Dollars	100.71	92.60	104.78	97.20

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have decreased profit and loss by Rs 139,799 thousand (2012: Rs 427,505 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.

39.3.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short and long term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate risk profile of the Group companies interest bearing financial instruments is:

	Carrying Amount	
	2013	2012
	(Rupees '000)	
Fixed rate instruments		
Financial assets	21,675,610	23,511,596
Financial liabilities	7,350,000	3,595,000
Variable rate instruments		
Financial assets	2,237,404	8,756,500
Financial liabilities	22,655,607	13,527,214

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 2012.

	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2013		
Cash flow sensitivity - Variable rate instruments	(50,730)	50,730
December 31, 2012		
Cash flow sensitivity - Variable rate instruments	(92,671)	92,671

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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 1,026 thousand after tax (2012: Rs 1,059 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as at fair value through profit or loss, the impact on profit or loss would have been an increase or decrease by Rs 1,012 thousand after tax (2012: Rs 7,232 thousand). The analysis is performed on the same basis for 2012 and assumes that all other variables remain the same.

39.4 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, 2013		December 31, 2012	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note	(Rupees '000)			
Assets carried at amortised cost					
Loans and advances	18 and 23	1,531,903	1,531,903	1,317,444	1,317,444
Deposits	19 and 24	94,686	94,686	84,598	84,598
Trade debts - net of provision	22	2,871,255	2,871,255	6,080,551	6,080,551
Other receivables	25	477,273	477,273	276,968	276,968
Investments at amortised cost	26	19,955,731	19,955,731	19,558,683	19,558,683
Cash and bank balances	27	4,190,916	4,190,916	12,573,266	12,573,266
		29,121,764	29,121,764	39,891,510	39,891,510
Assets carried at fair value					
Long term investments	17	218,606	218,606	232,860	232,860
Short term investments	26	4,327,700	4,327,700	742,313	742,313
		4,546,306	4,546,306	975,173	975,173
Liabilities carried at amortised cost					
Long term borrowings	8	18,203,378	18,203,378	17,414,228	17,414,228
Trade and other payables	10	20,684,404	20,684,404	14,543,335	14,543,335
Liability against assets subject to finance lease		1,413	-	-	-
Short term borrowings	13	14,985,128	14,985,128	14,494,157	14,494,157
		53,874,323	53,872,910	46,451,720	46,451,720

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% (2012: 15%). Since originally the loan is zero interest based, there is no difference in the carrying amount of the loan and fair value.

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Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3
		Rupees '000	
December 31, 2013			
Assets carried at fair value			
Available for sale investments	96,000	-	-
Investments at fair value through profit or loss	4,272,570	177,316	-
	4,368,570	177,316	-
December 31, 2012			
Assets carried at fair value			
Available for sale investments	102,341	172,019	-
Investments at fair value through profit or loss	721,563	-	-
	823,904	172,019	-

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

39.5 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 at fair value through profit and loss account

The fair value of investment at fair value through profit and loss is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

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

Investment in associate and subsidiary

The fair value of investment in associate 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.

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.

39.6 Capital management

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

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

40. OPERATING SEGMENT RESULTS

	Fertilizer		Power generation		Food		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees '000)		(Rupees '000)		(Rupees '000)		(Rupees '000)	
Sales	128,955,758	122,251,581	1,476,843	-	-	-	130,432,601	122,251,581
Cost of sales	79,891,236	74,774,403	468,598	-	-	-	80,359,834	74,774,403
Gross profit	49,064,522	47,477,178	1,008,245	-	-	-	50,072,767	47,477,178
Administrative and distribution expenses	10,667,856	9,209,658	49,314	14,889	27,701	-	10,744,871	9,224,547
Finance cost / (income)	2,271,146	2,691,660	802,485	-	(185,275)	-	2,888,356	2,691,660
Other expenses	3,187,336	3,251,369	-	-	-	-	3,187,336	3,251,369
Other income	2,512,043	2,426,061	35,289	3,667	2,099	-	2,549,431	2,429,728
Share in profit of equity accounted investments	(143,834)	71,576	-	-	-	-	(143,834)	71,576
Net profit / (loss) before taxation	35,306,393	34,822,128	191,735	(11,222)	159,673	-	35,657,801	34,810,906
Provision for taxation	11,996,657	12,316,639	-	1,068	-	-	11,996,657	12,317,707
Net profit / (loss) after taxation	23,309,736	22,505,489	191,735	(12,290)	159,673	-	23,661,144	22,493,199
Material non-cash items	3,504,937	3,657,960	751,648	693	179,966	-	4,436,551	3,183,244
Depreciation and amortisation	3,045,553	2,709,802	403,178	1,470	655	-	3,449,385	2,758,860
Capital expenditure	3,229,801	2,682,374	784,165	4,251,557	7,716	-	4,021,682	7,264,228
Finance cost capitalised	-	-	-	1,090,800	-	-	-	1,090,800
Segment assets								
Property, plant and equipment	31,503,697	31,634,834	11,889,327	11,044,213	921,856	-	44,314,880	42,679,047
Stores, spares and loose tools	5,352,138	5,110,420	-	-	-	-	5,352,138	5,110,420
Stock in trade	1,431,214	5,318,444	-	-	-	-	1,431,214	5,318,444
Trade debts	2,304,184	6,080,551	567,071	-	-	-	2,871,255	6,080,551
Cash and bank balances	3,839,184	12,537,549	182,862	35,717	171,883	-	4,193,929	12,573,266
Total segment assets	44,430,417	60,681,798	12,639,260	11,079,930	1,093,739	-	58,163,416	71,761,728
Segment liabilities								
Long term borrowings	8,332,801	8,537,990	9,280,480	8,855,124	590,097	-	18,203,378	17,393,114
Short term borrowings	14,985,128	14,206,660	-	-	-	-	14,985,128	14,206,660
Trade and other payables	29,602,246	23,663,323	749,242	18,680	115,008	-	30,466,496	24,407,307
Total segment liabilties	52,920,175	46,407,973	10,029,722	8,873,804	705,105	-	63,655,002	56,007,081

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

		2013	2012
		(Rupees '000)	
40.1	**Reconciliations of reportable segment assets and liabilities**		
	Assets		
	Total assets for reportable segments	58,163,416	71,761,728
	Intangible assets	2,014,919	1,687,919
	Equity accounted investments	23,478,872	6,651,857
	Long term loans and advances	740,408	700,786
	Long term deposits and prepayments	83,055	83,762
	Short term loans and advances	1,500,047	1,126,040
	Short term deposits and prepayments	84,014	59,564
	Other receivables	1,046,439	710,611
	Short term investments	24,283,431	20,300,996
	Total assets	111,394,601	103,083,263
	Liabilities		
	Total liabilities for reportable segments	63,655,002	56,007,081
	Deferred liabilities	7,538,766	7,623,903
	Interest and mark-up accrued	290,784	308,611
	Taxation - net	4,710,797	5,013,177
	Assets subject to finance lease	1,413	-
	Total liabilities	76,196,762	68,952,772

40.2 Inter - segment pricing

There were no significant transactions among the business segments during the reported period.

40.3 There were no major customer of the Group which formed part of 10 per cent or more of the Group's revenue.

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

41. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2012: 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 18, 23 and 36 to the financial statements respectively.

	2013	(Restated) 2012
	(Rupees '000)	
Transactions with associated undertaking / companies		
due to common directorship		
Long term investment	961,210	781,350
Sale of fertilizer	4,825	14,686
Services provided	1,331	4,981
Dividend paid	10,032,792	8,038,026
Issue of bonus shares	-	1,880,792
Purchase of gas as feed and fuel stock	23,915,067	23,501,851
Services received	358,494	486,087
Balance payable	9,262,274	1,074
Balance receivable (included in note 25)	8,726	6,935
Transactions with joint venture company		
Raw material purchased	23,168,097	25,588,487
Expenses incurred on behalf of joint venture company	14,933	35,040
Balance payable	3,370,005	5,758,636
Balance receivable	19,989	22,733
Other related parties		
Payments to:		
Employees' Provident Fund Trust	337,196	311,359
Employees' Gratuity Fund Trust	134,525	117,457
Employees' Pension Fund Trust	47,191	454,661
Others:		
Balance payable to Employee's Fund Trusts	609,936	542,181
Balance receivable from Employee's Fund Trusts	9,759	-

42. BUSINESS COMBINATION

On October 3, 2013, FFC acquired 100% interest in AHFL. AHFL will principally be engaged in the business of processing fresh, frozen fruit, vegetables, fresh meat, frozen cooked and semi cooked food. As a result of the acquisition, FFC expects to increase its profits and reduce risks through diversification. Total consideration paid in cash for the acquisition is Rs 385,500 thousand.

	(Rupees in'000)
Details of net assets acquired and goodwill are as follows:	
Assets:	
Property, plant and equipment	1,056,731
Long term deposits	1,758
Advances - considered good	3,052
Short term deposits	6,300
Advance tax	840
Cash and bank balances	26
	1,068,707
Less: Liabilities	
Long term loan from banking companies - secured	593,910
Liabilities against assets subject to finance lease	1,671
Trade and other payables	114,952
Accrued markup	336,001
	1,046,534
Total identifiable net assets	22,173
Goodwill	363,327
Total purchase consideration paid in cash	385,500

Acquisition related costs of Rs 450 thousand have been charged to cost of sales and administrative expenses and distribution costs in the consolidated profit and loss account for the year ended December 31, 2013.

	(Rupees in'000)
The cash outflow on acquisition is as follows:	
Purchase consideration settled in cash during the year	(385,500)
Cash and cash equivalents acquired in AHFL	26
Cash outflow on acquisition	(385,474)

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

43. DISCLOSURES RELATING TO ASKARI BANK LIMITED (AKBL)

The Consolidated Statement of Financial Position of AKBL as at December 31, 2013 and its Consolidated Profit and Loss Account for the year then ended are as follows:

	2013 Audited	(Restated) 2012 Audited	(Restated) 2011 Audited
		(Rupees '000)	
ASSETS			
Cash and balances with treasury banks	26,104,835	24,435,422	26,168,206
Balances with other banks	9,124,531	8,865,303	6,236,116
Lendings to financial institutions	2,503,207	6,341,474	1,613,584
Investments	165,897,833	145,354,253	133,655,387
Advances	163,560,629	143,727,835	150,712,556
Operating fixed assets	8,623,410	8,901,522	9,451,033
Deferred tax assets	2,999,526	-	-
Other assets	16,282,792	15,556,592	16,002,401
	395,096,763	353,182,401	343,839,283
LIABILITIES			
Bills payable	5,687,542	3,700,156	2,756,032
Borrowings	24,545,879	8,376,740	17,274,979
Deposits and other accounts	335,173,378	306,929,729	291,499,395
Sub-ordinated loans	3,994,400	6,987,300	6,990,100
Liabilities against assets subject to finance lease	-	1,018	2,893
Deferred tax liabilities	-	35,992	845
Other liabilities	6,724,055	7,440,516	7,545,163
	376,125,254	333,471,451	326,069,407
NET ASSETS	18,971,509	19,710,950	17,769,876
REPRESENTED BY			
Share capital	12,602,602	8,130,711	7,070,184
Reserves	5,612,416	8,541,776	8,135,795
Unappropriated (loss) / profit	(1,370,719)	998,438	1,268,036
	16,844,299	17,670,925	16,474,015
Non - Controlling interest	31,359	29,441	28,377
	16,875,658	17,700,366	16,502,392
Surplus on revaluation of assets - net of tax	2,095,851	2,010,584	1,267,484
	18,971,509	19,710,950	17,769,876
CONTINGENCIES AND COMMITMENTS			

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

	2013 Audited	(Restated) 2012 Audited
	(Rupees '000)	
Consolidated Profit and Loss Account		
Mark-up / return / interest earned	27,961,790	32,404,345
Mark-up / return / interest expensed	19,363,025	22,973,385
Net mark-up / interest income	8,598,765	9,430,960
Provision against non-performing loans and advances - net	9,853,603	2,342,473
Impairment loss on available for sale investments	158,541	148,575
Provision for diminution in the value of investments	833,406	201,265
Reversal of provision against purchase under resale arrangement	(34,578)	-
Impairment loss on immovable assets	199,898	-
Bad debts written off directly	-	1,043
	11,010,870	2,693,356
Net mark-up / interest (expense) / income after provisions	(2,412,105)	6,737,604
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	1,198,513	1,173,558
Dividend income	508,748	1,036,249
Income from dealing in foreign currencies	559,463	884,724
Gain on sale of securities - net	825,043	688,424
Unrealised gain on revaluation of investments		
classified as held for trading - net	7,150	986
Other income	674,723	532,275
Total non-markup / interest income	3,773,640	4,316,216
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	9,566,692	9,219,602
Other provisions / write offs	119,609	8,633
Other charges	22,571	80,381
Total non-markup / interest expenses	9,708,872	9,308,616
Share of profit of associate	24,006	27,814
Extra ordinary / unusual items	-	-
(LOSS) / PROFIT BEFORE TAXATION	(8,323,331)	1,773,018
Taxation – current	(95,286)	(840,813)
– prior years	-	-
– deferred	3,041,377	363,901
	2,946,091	(476,912)
(LOSS) / PROFIT AFTER TAXATION	(5,377,240)	1,296,106
Attributable to:		
Equity holders of the Bank	(5,379,401)	1,295,042
Non - Controlling interest	2,161	1,064
	(5,377,240)	1,296,106

The consolidated financial statements of AKBL for the year ended December 31, 2013 were audited by its statutory auditor who expressed an unmodified opinion thereon.

44. POST BALANCE SHEET EVENT

The Board of Directors of FFC in its meeting held on January 29, 2014, proposed a final dividend of Rs 4.00 per share while a dividend of Rs 2.25 per share has been proposed by the Board of Directors of FFBL on January 27, 2014.

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2013

		2013	2012
		(Tonnes '000)	
45.	**GENERAL**		
45.1	**Production capacity**		
	Design capacity		
	Urea	2,599	2,599
	DAP	650	650
	Production		
	Urea	2,633	2,829
	DAP	744	662

45.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 216,000 thousand and Rs 7,930,000 thousand (2012: Rs 2,244,226 thousand and Rs 10,730,000 thousand) respectively are available to the FFC against lien on shipping / title documents and charge on assets of FFC alongwith corporate guarantee of the FFC in a particular case.

45.3 During the year, an amount of Rs 355,000 thousand (2012: Rs 55,000 thousand) was donated for the projects of Fauji Foundation, Fauji Towers Tipu Road Rawalpindi (associated undertaking). Directors' interest in the projects of Fauji Foundation is limited to the extent of their involvement in Fauji Foundation as management personnel:

2013	2012
Lt Gen Muhammad Mustafa Khan, HI(M) (Retd)	Lt Gen Muhammad Mustafa Khan, 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 Dr Gulfam Alam, SI (M) (Retd)

Donation and CSR expense for the year also included Rs 90,558 thousand (2012: Rs 101,200 thousand), paid through Sona Welfare Foundation, 93, Harley Street, Rawalpindi (associated undertaking). Interest of Lt Gen Naeem Khalid Lodhi, HI (M) (Retd) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

		2013	2012
45.4	**Number of employees**		
	Total number of employees at end of the year	3,574	3,410
	Average number of employees for the year	3,479	3,674

45.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

45.6 These financial statements have been authorised for issue by the Board of Directors of FFC on January 29, 2014 with the condition that the disclosure of information in respect of Askari Bank Limited will be included in the financial statements after approval of financial statements of Askari Bank Limited by its Board of Directors. The information was included in note 43 of the financial statements on February 17, 2014.

Chairman	Chief Executive	Director

Pattern of Shareholding
as at December 31, 2013

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1387	1	100	76670	0.0060
2664	101	500	900450	0.0708
2009	501	1000	1729161	0.1359
5133	1001	5000	13732055	1.0794
1702	5001	10000	12896173	1.0137
781	10001	15000	9864168	0.7753
515	15001	20000	9215782	0.7244
301	20001	25000	6884631	0.5411
268	25001	30000	7434895	0.5844
158	30001	35000	5166542	0.4061
159	35001	40000	6041616	0.4749
113	40001	45000	4843664	0.3807
144	45001	50000	7027512	0.5524
98	50001	55000	5163378	0.4058
72	55001	60000	4198182	0.3300
43	60001	65000	2668429	0.2097
47	65001	70000	3181539	0.2501
55	70001	75000	4038832	0.3175
34	75001	80000	2645840	0.2080
32	80001	85000	2642370	0.2077
28	85001	90000	2474275	0.1945
32	90001	95000	2966929	0.2332
68	95001	100000	6740978	0.5299
22	100001	105000	2254246	0.1772
18	105001	110000	1946630	0.1530
17	110001	115000	1906751	0.1499
11	115001	120000	1301576	0.1023
18	120001	125000	2214482	0.1741
18	125001	130000	2308899	0.1815
14	130001	135000	1859140	0.1461
9	135001	140000	1252105	0.0984
7	140001	145000	1002508	0.0788
17	145001	150000	2521830	0.1982
6	150001	155000	907382	0.0713
11	155001	160000	1733266	0.1362
13	160001	165000	2121340	0.1667
7	165001	170000	1178512	0.0926
8	170001	175000	1376718	0.1082
5	175001	180000	889761	0.0699
9	180001	185000	1650276	0.1297

Pattern of Shareholding
as at December 31, 2013

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
10	185001	190000	1875007	0.1474
6	190001	195000	1151444	0.0905
19	195001	200000	3777701	0.2969
11	200001	205000	2223922	0.1748
3	205001	210000	628000	0.0494
5	210001	215000	1056405	0.0830
7	215001	220000	1520337	0.1195
6	220001	225000	1343144	0.1056
9	225001	230000	2049679	0.1611
2	230001	235000	466750	0.0367
1	235001	240000	239000	0.0188
4	240001	245000	975125	0.0766
11	245001	250000	2737090	0.2151
4	250001	255000	1007463	0.0792
5	255001	260000	1289789	0.1014
2	260001	265000	527274	0.0414
3	265001	270000	803910	0.0632
3	270001	275000	824492	0.0648
1	275001	280000	280000	0.0220
3	280001	285000	848154	0.0667
1	285001	290000	288000	0.0226
1	290001	295000	290380	0.0228
14	295001	300000	4195097	0.3297
8	300001	305000	2426675	0.1907
5	305001	310000	1544420	0.1214
3	310001	315000	941049	0.0740
1	315001	320000	319921	0.0251
3	320001	325000	969408	0.0762
1	325001	330000	328674	0.0258
1	330001	335000	332445	0.0261
2	335001	340000	675885	0.0531
1	340001	345000	344000	0.0270
4	345001	350000	1400000	0.1100
1	350001	355000	354961	0.0279
1	355001	360000	360000	0.0283
1	360001	365000	362900	0.0285
1	370001	375000	375000	0.0295
3	375001	380000	1137464	0.0894
3	385001	390000	1167899	0.0918
1	390001	395000	391500	0.0308

Pattern of Shareholding
as at December 31, 2013

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
7	395001	400000	2794600	0.2197
1	400001	405000	402487	0.0316
1	405001	410000	408527	0.0321
2	410001	415000	827000	0.0650
1	425001	430000	429258	0.0337
1	440001	445000	443479	0.0349
3	445001	450000	1341497	0.1054
1	450001	455000	451212	0.0355
1	460001	465000	461100	0.0362
1	465001	470000	468233	0.0368
1	470001	475000	473250	0.0372
1	475001	480000	478000	0.0376
4	480001	485000	1925783	0.1514
2	490001	495000	984066	0.0773
2	495001	500000	1000000	0.0786
1	500001	505000	500849	0.0394
1	505001	510000	509600	0.0401
2	515001	520000	1036000	0.0814
2	520001	525000	1047745	0.0824
1	525001	530000	526450	0.0414
1	530001	535000	534000	0.0420
1	535001	540000	535312	0.0421
1	540001	545000	544593	0.0428
5	545001	550000	2750000	0.2162
2	555001	560000	1115500	0.0877
2	570001	575000	1145430	0.0900
1	575001	580000	576400	0.0453
2	595001	600000	1200000	0.0943
2	605001	610000	1213457	0.0954
1	615001	620000	619300	0.0487
1	625001	630000	630000	0.0495
1	630001	635000	630399	0.0496
2	645001	650000	1293538	0.1017
1	650001	655000	655000	0.0515
1	670001	675000	673192	0.0529
1	680001	685000	681505	0.0536
2	700001	705000	1403119	0.1103
2	705001	710000	1416526	0.1113
2	710001	715000	1428296	0.1123
2	725001	730000	1458092	0.1146

Pattern of Shareholding
as at December 31, 2013

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	740001	745000	740364	0.0582
1	745001	750000	750000	0.0590
1	750001	755000	750900	0.0590
1	755001	760000	755850	0.0594
3	760001	765000	2288917	0.1799
1	765001	770000	769800	0.0605
1	780001	785000	783704	0.0616
3	795001	800000	2400000	0.1886
1	805001	810000	810000	0.0637
1	815001	820000	817327	0.0642
2	820001	825000	1643385	0.1292
1	855001	860000	859942	0.0676
1	900001	905000	904335	0.0711
1	905001	910000	906796	0.0713
3	915001	920000	2752907	0.2164
1	930001	935000	931000	0.0732
1	940001	945000	941568	0.0740
1	950001	955000	954918	0.0751
1	985001	990000	987500	0.0776
1	990001	995000	990625	0.0779
6	995001	1000000	6000000	0.4716
1	1015001	1020000	1019337	0.0801
1	1020001	1025000	1020730	0.0802
2	1030001	1035000	2063232	0.1622
2	1055001	1060000	2117000	0.1664
2	1070001	1075000	2147500	0.1688
1	1080001	1085000	1083490	0.0852
1	1105001	1110000	1106852	0.0870
1	1110001	1115000	1111039	0.0873
2	1120001	1125000	2248815	0.1768
1	1130001	1135000	1132500	0.0890
1	1150001	1155000	1154849	0.0908
1	1160001	1165000	1165000	0.0916
1	1200001	1205000	1204679	0.0947
1	1295001	1300000	1300000	0.1022
1	1305001	1310000	1306478	0.1027
1	1310001	1315000	1314963	0.1034
1	1315001	1320000	1320000	0.1038
1	1350001	1355000	1351500	0.1062
1	1360001	1365000	1361510	0.1070

Pattern of Shareholding
as at December 31, 2013

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	1375001	1380000	1377209	0.1083
1	1395001	1400000	1400000	0.1100
1	1400001	1405000	1403790	0.1103
1	1410001	1415000	1413741	0.1111
1	1445001	1450000	1449630	0.1139
1	1465001	1470000	1467174	0.1153
1	1495001	1500000	1500000	0.1179
1	1505001	1510000	1509309	0.1186
1	1515001	1520000	1519407	0.1194
1	1550001	1555000	1555000	0.1222
2	1555001	1560000	3114500	0.2448
1	1605001	1610000	1609814	0.1265
1	1615001	1620000	1620000	0.1273
1	1660001	1665000	1661643	0.1306
1	1695001	1700000	1700000	0.1336
1	1765001	1770000	1768610	0.1390
1	1795001	1800000	1800000	0.1415
1	1805001	1810000	1808948	0.1422
1	1825001	1830000	1829300	0.1438
1	1845001	1850000	1846022	0.1451
1	1935001	1940000	1936500	0.1522
1	1960001	1965000	1965000	0.1545
1	1995001	2000000	2000000	0.1572
3	2000001	2005000	6000795	0.4717
1	2020001	2025000	2025000	0.1592
1	2070001	2075000	2074318	0.1630
1	2085001	2090000	2089142	0.1642
1	2195001	2200000	2200000	0.1729
1	2215001	2220000	2219539	0.1745
1	2225001	2230000	2228700	0.1752
1	2240001	2245000	2243358	0.1763
1	2255001	2260000	2255859	0.1773
1	2290001	2295000	2294000	0.1803
1	2490001	2495000	2493887	0.1960
1	2935001	2940000	2935029	0.2307
1	3220001	3225000	3224800	0.2535
1	3270001	3275000	3270500	0.2571
1	3805001	3810000	3808000	0.2993
1	3885001	3890000	3886959	0.3055
1	4095001	4100000	4100000	0.3223

Pattern of Shareholding
as at December 31, 2013

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
2	4465001	4470000	8935436	0.7023
1	4525001	4530000	4530000	0.3561
1	4755001	4760000	4757400	0.3739
1	5040001	5045000	5040099	0.3962
2	5315001	5320000	10631678	0.8357
1	6425001	6430000	6429140	0.5053
1	7310001	7315000	7314612	0.5749
1	8945001	8950000	8945913	0.7032
1	9680001	9685000	9682918	0.7611
1	9725001	9730000	9728039	0.7646
1	10030001	10035000	10032000	0.7885
1	10660001	10665000	10660949	0.8380
1	12090001	12095000	12091903	0.9504
1	17495001	17500000	17500000	1.3755
1	26585001	26590000	26586494	2.0897
1	31135001	31140000	31137955	2.4475
1	32325001	32330000	32329275	2.5411
1	116020001	116025000	116022735	9.1196
1	129515001	129520000	129516412	10.1802
1	434685001	434690000	434687842	34.1672
16414	Company Total		1272238247	100.00

Pattern of Shareholding
as at December 31, 2013

Serial No.	Categories of Shareholders	No of Shareholders	No of Shares held	Percentage %
1	NIT & ICP	3	35,607,392	2.80
2	Bank, DFI & NBFI	34	89,018,202	7.00
3	Insurance Companies	18	137,686,459	10.83
4	Modarabas & Mutual Funds	58	14,124,799	1.11
5	Foreign Investors	83	99,262,466	7.80
6	Chariatable Trust & Others	197	610,721,168	48.00
7	Others	210	22,834,145	1.79
8	Individuals	15811	262,983,616	20.67
	Total Shares	16414	1,272,238,247	100.00

	No of Shares
NIT & ICP	
National Investment Trust	35,606,642
Investment Corporation of Pakistan	750
Executives	2,181,271
Public Sector Companies and Corporations	13,988,095
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Mutual Funds	240,829,460
Shareholders Holding ten percent or more voting interest	
Fauji Foundation	564,204,254

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 14, 2014
1st Quarter ending March 31, 2014	Last Week of April, 2014
2nd Quarter ending June 30, 2014	Last Week of July, 2014
3rd Quarter ending September 30, 2014	Last Week of October, 2014
Year ending December 31, 2014	Last Week of January, 2015

Form of Proxy
36th 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 36th Annual General Meeting of the Company to be held on Friday March 14, 2014 and /or any adjournment thereof.

As witness my/our hand/seal this __________ day of __________ March 2014.

Signed by ______________________________

in the presence of ______________________________

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 156 - The Mall, Rawalpindi not less than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. **For CDC Account Holders/Corporate Entities**

   In addition to the above the following requirements have to be met.

   (i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

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

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

AFFIX
CORRECT
POSTAGE

Company Secretary
FAUJI FERTILIZER COMPANY LIMITED
156- The Mall, Rawalpindi Cantt
Website: www.ffc.com.pk
Tel No. 92-51-111-332-111, 8450001