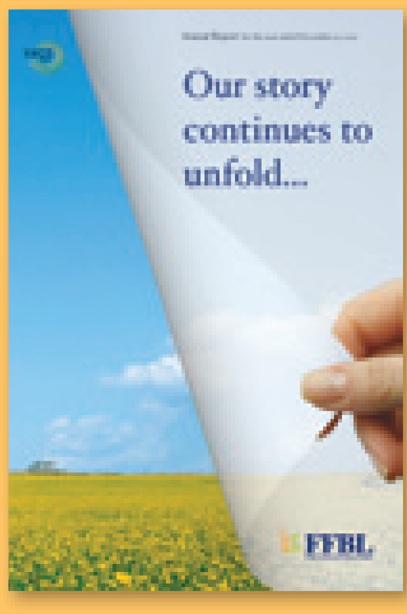
Annual Report for the year ended December 31, 2013

Our story continues to unfold...

FFBL

Fauji Fertilizer Bin Qasim Limited



Our story continues to unfold...

Word by word we pen our own stories – caught in plots, twisted in sequences and put across a variety of settings.

At FFBL, our story began unraveling many years ago, taking life in the deep recesses of our national soil. With time, we saw the roots of our dedication breakout in the form of new and improved agricultural practices across the country – empowering millions of lives for many years to come.

On our cover this year, we reflect on our lasting saga: a tale of strength, originality and progression that continues to unfold, even today.

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Our History

1993	Incorporation of the Company
1996	Listed with Karachi, Lahore and Islamabad Stock Exchanges
2000	Commencement of commercial production
2003	Successful commissioning of Desulphurization Project Agreement with Office Cherifien des Phosphates' (OCP), Morocco for supply of raw material (P_2O_5)
2005	Joint venture with 'Office Cherifien des Phosphates' (OCP), Morocco to incorporate 'Pakistan Maroc Phosphore S.A'(PMP) costing 2,030 million Moroccan Dirhams with equity participation of 25%
2006	Achieved ISO Certification in QMS (9001:2000), EMS (14001:2004) and OHSAS (18001:1999)
2007	Successful completion of Ammonia BMR resulting in increased production of Ammonia by 23% from 1,270 MT to 1,570 MT and Urea by 15% from 1,670 MT to 1,920 MT per day

2008

DAP Revamp resulting in increased production by 51% from 1,472 MT to 2,232 MT per day

Start of PMP's commercial production and shipment to FFBL in April 2008 and May 2008 respectively

Investment in Fauji Cement Company Limited

2010

Investment in Wind Power Projects

Successful implementation of SAP- ERP system, evolving excellence through technological integration

2011

Rewarding year for FFBL, exhibiting highest standards of performance, surpassing all previous records

PMP achieved a landmark by producing 382 thousand tonnes of P_2O_5, surpassing the name plate capacity of 375 thousand tonnes in any year

2013

Incorporation of Fauji Meat Limited and Fauji Foods Limited

Investment in Askari Bank Limited

Highest ever DAP production of 744,436 MT

Year 2013

Earnings per Share
Rs 6.01

Dividend per Share
Rs 5.00

Production
969
Thousand Tonnes

Contribution to National Exchequer
Rs 16.56
Billion

Sales Revenue
Rs 54.46
Billion

Other Income
Rs 494
Million

Vision & Mission Statement

Vision

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

Mission

Fauji Fertilizer Bin Qasim Limited is committed to remain amongst the best companies by maintaining the spirit of excellence through sustained growth rate in all activities, competitive price, quality fertilizer and providing safe and conducive working environment for the employees

Corporate Strategy

The dynamic corporate strategy of FFBL is to enhance customer satisfaction and earn their respect by continuously providing the highest quality of product by adding value in the long run. We are committed to create value for stakeholders through performance and growth by appropriately utilizing combination of resources and skills with respect to changing market conditions.

Our strategy is based on profitable and sustainable growth, building on an unrivalled market position and a unique flexible business model. We continue to honour the confidence and trust of our customers, suppliers and the Government. We are committed to contribute heavily in the national economy and seize opportunities for diversification and growth to build upon our strengths and competencies.

FFBL is focused on fostering an inspiring and innovative performance culture based on our vision and mission, the code of conduct, ethics, sustained progress and our core values. We demonstrate our commitment to employees by promoting and rewarding their efforts based on performance and creating an environment which builds motivation and reflects our values. We develop leaders at all levels that achieve business results, exhibit our values and lead us to grow and win.

Strategic Goals

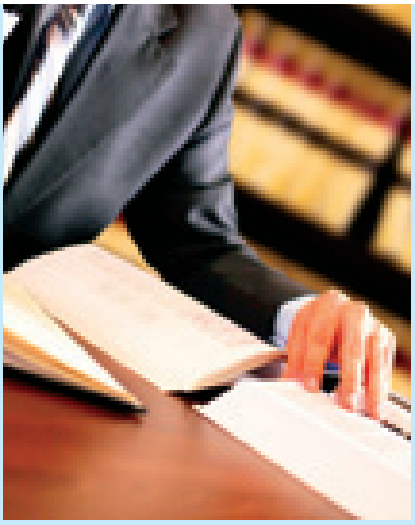
- Boost agricultural yield of the country
- Lead fertilizer business
- Be an environment friendly and socially responsible Company
- Create new opportunities for business growth and diversification
- Manufacture prime quality products
- Maintain operational, technological and managerial excellence
- Maximize productivity and expand sales
- Eliminate duplication of resources to economize cost

Core Values

"FFBL has established its development on the right balance in its governance; combining the economic performance of its activities, the specific nature of its shareholding structure and its commitment to the agricultural industry"

- Professional Integrity
- Winning Working Environment
- Accountable for Actions
- Innovations and Creativity
- Corporate Social Responsibility
- Focus on Results

Code of Conduct


Corporate Image

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

Health and Safety

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

Confidentiality

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

Stakeholders

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

Respect for People & Team Work

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

Integrity and Honesty

By maintaining the highest level of corporate integrity through open, honest and fair dealings, we earn trust for ourselves from everyone.

Dedication to Quality

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

Legal Compliance

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

Unauthorized Use of Corporate Assets

Every employee is obligated to protect the assets of the Company.

Conflict of Interest

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

Corporate Records

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

Company Information

Board of Directors

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

Lt Gen Muhammad Zaki, HI, HI(M), (Retired)
(Resigned as CE & MD on 25th Feb 2014)

Lt Gen Muhammad Haroon Aslam, HI(M), SBt, (Retired)
Chief Executive & Managing Director
(Appointed CE & MD on 26th Feb 2014)

Lt Gen Naeem Khalid Lodhi, HI(M), (Retired)

Mr Qaiser Javed

Dr Nadeem Inayat

Maj Gen Ghulam Haider, HI(M), (Retired)

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

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

Brig Muhammad Saeed Khan, (Retired)

Mr Naved A. Khan

Mr Nasier A. Sheikh

Dr Rashid Bajwa

Company Secretary

Brig Shaukat Yaqub Malik, SI(M), (Retired)

Chief Financial Officer

Syed Aamir Ahsan

Registered Office

73-Harley Street, Rawalpindi.
Tel : (051) 9272196-97
Fax : (051) 9272198-99
E-mail : secretary@ffbl.com
Web : http://www.ffbl.com

Plantsite

Plot No. EZ/I/P-1 Eastern Zone,
Port Qasim, Karachi 75020.
Tel : (021) 34724500-29
Fax : (021) 34750704
Email : information@ffbl.com

Shares Registrar

M/s Corplink (Pvt) Limited
Wings Arcade, 1-K,
Commercial,
Model Town, Lahore.
Tel : (042) 35839182
Fax : (042) 35869037

Auditors

KPMG Taseer Hadi & Co
6th Floor, State Life Building,
Jinnah Avenue, Islamabad.

Legal Advisors

Orr Dignam & Co Advocates,
3-A, Street 32, Sector F-8/1,
Islamabad.

Web Presence

www.ffbl.com

Organogram

- Chief Executive & Managing Director
  - Finance Division
    - Information Tehnology
  - Supply Chain Management Division
  - Investment Division
  - Human Capital Management Division
  - Plant
    - Operations
    - Technical Services
    - Maintenance
    - HSEQ
    - Administration
  - Company Secretariat
  - Internal Audit Department
  - Technology Department
  - Administration Department
  - PMP Morocco

Profile of the Board

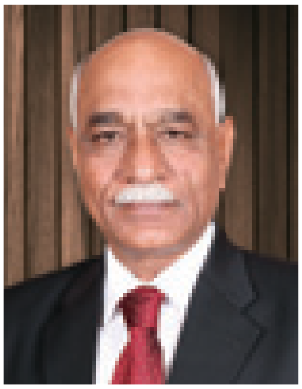
Lt Gen Muhammad Mustafa Khan
HI(M), (Retd), Chairman

Lt Gen Muhammad Mustafa Khan, HI(M), (Retd), was commissioned in Pakistan Army in April 1974. During his long meritorious service in the Army, the General officer 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. The General is a Graduate of Command and Staff College, Quetta and Command & Staff College, Fort Leavenworth, USA. He is also a graduate of Armed Forces War College, Islamabad (National Defence University) and Senior Executive Course from USA and holds Master Degrees in War Studies and International Relations.

In recognition of his meritorious services, he has been conferred the award of Hilal-e-Imtiaz (Military). The General brings along a vast and diversified experience in operational, administration, management, assessment and evaluation systems up to various level of Command. An avid reader and keen golfer.

He is also on the Board of following entities:-

- Fauji Fertilizer Company Limited
- Fauji Cement Company Limited
- Fauji Kabirwala Power Company Limited
- Dharki Power Holdings Limited
- FFC Energy Limited
- Foundation Wind Energy-I
- Fauji Meat Limited
- Mari Petroleum Company Limited
- Fauji Oil Terminal Company
- Foundation Power Company (Daharki) Limited
- Foundation Wind Energy-II
- Fauji Akbar Portia Marine Terminals
- Askari Bank Limited
- Fauji Foods Limited



Lt Gen Muhammad Zaki
HI, HI(M), (Retd), CE & MD

Lt Gen Muhammad Zaki, HI, HI(M), (Retd) is the Chief Executive & Managing Director of Fauji Fertilizer Bin Qasim Limited. He was commissioned in the Army on 12 December 1971. He is a graduate of Command and Staff College, Quetta and National Defense University, Islamabad. The General Officer had eminent career in the Army, serving on various command and staff assignments. In recognition of his outstanding services, he was awarded Hilal-e-Imtiaz, (HI) and Hillal-e-Imtiaz Military, HI(M).

He is on the Board of following entities:-

- Foundation Wind Energy – I
- Foundation Wind Energy – II
- Pakistan Maroc Phosphore, S.A., Morocco
- Askari Bank Limited
- Fauji Meat Limited
- Fauji Foods Limited

Lt Gen Naeem Khalid Lodhi
HI(M), (Retd), Director

Lt Gen Naeem Khalid Lodhi, HI(M), (Retd) is the Chief Executive and Managing Director of Fauji Fertilizer Co. Ltd & FFC Energy Limited. He was commissioned in the Army on 27 October 1974. He is a Bachelor in Engineering (Civil). He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad and Master in International Relations. He has served on various command, staff and instructional assignments in his career in the Army including the important appointments of Director Staff at National Defence College (now National Defence University), Islamabad, Commander Corps Engineers, Director General Engineering Directorate, Director General Staff Duties Directorate, General Officer Commanding Bahawalpur, General Headquarters, Rawalpindi and Corps Commander, Bahawalpur. He also remained Secretary Defence for a short period.

He is also on the Board of following entities:-

- Fauji Fertilizer Company Limited
- FFC Energy Limited
- Pakistan Maroc Phosphore, S.A., Morocco
- Askari Bank Limited
- Fauji Meat Limited
- Fauji Foods Limited

Mr Qaiser Javed
Director

Mr Qaiser Javed is a Fellow Member of Institute of Chartered Accountants of Pakistan and Institute of Taxation Management of Pakistan. He joined Fauji Foundation in 1976. Presently, he is holding the position of Director Finance. He is also a member of Board of Directors of all subsidiaries and associated companies of Fauji Foundation, the Hub Power Company Ltd., Pakistan Maroc Phosphore S.A (PMP).

He is also on the Board of following entities:-

- Fauji Fertilizer Company Limited
- Fauji Cement Company Limited
- Fauji Kabirwala Power Company Limited
- Dharki Power Holdings Limited
- Foundation Wind Energy – I
- Fauji Akbar Portia Marine Terminals
- Fauji Meat Limited
- Mari Petroleum Company Limited
- Fauji Oil Terminal Company
- Foundation Power Company (Daharki) Limited
- FFC Energy Limited
- Foundation Wind Energy – II
- Askari Bank Limited
- Fauji Foods Limited

Dr Nadeem Inayat
Director

Dr Nadeem Inayat is an outstanding professional, having rich experience in managing, operating and advising investment portfolio to top tier banks and organizations of the Country at senior level. Presently, he is holding the position of Corporate Advisor and Head of Investment Division in Fauji Foundation. He is member of FFBL Board of Directors since Jul 2006. He is also a member of Board of Directors of all subsidiaries and associated companies of Fauji Foundation.

He is also on the Board of following entities:-

- Fauji Fertilizer Company Limited
- Fauji Cement Company Limited
- Dharki Power Holdings Limited
- Foundation Wind Energy – I
- Pakistan Maroc Phosphore, S.A., Morocco
- Fauji Meat Limited
- Mari Petroleum Company Limited
- Fauji Oil Terminal Company
- Foundation Wind Energy – II
- Fauji Akbar Portia Marine Terminals
- Askari Bank Limited
- Fauji Foods Limited

Maj Gen Ghulam Haider
HI(M), (Retd), Director

Maj Gen Ghulam Haider, HI(M), (Retd) was commissioned in the Army in April 1972. He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad, Pakistan. Holds Master Degree in War Studies from Quaid-e-Azam University, Islamabad. Qualified in Ammunition and Explosives both at home and abroad , he has vast experience in inventory control, Supply Chain Management and Defence Procurements. During his distinguished career spanning over 37 years, he had held varied command, staff and instructional appointments. He has been on the faculty of Command & Staff College, Quetta, Army School of Logistics and Ordnance School. Besides service in various Logistics Installations and as Director General Ordnance Services and Director General Procurement at General Headquarters. The General has also served in Kingdom of Saudi Arabia as adviser. In recognition of his outstanding services, he was awarded Hilal-i-Imtiaz (Military). At present, he is working as Director Welfare (Health) Fauji Foundation, Head Office Rawalpindi with effect from 23 January 2012.

He is also on the Board of following entities:-

- Fauji Kabirwala Power Company Limited
- FFC Energy Limited

Profile of the Board

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

Brig Parvez Sarwar Khan, SI(M), (Retd) is Director Industries of Fauji Foundation. He is graduate of Command and Staff College, Quetta and National Defence University Islamabad. He served on varied command, staff and instructional appointments. In recognition of his outstanding services, he has been awarded Sitara-e-Imitiaz (Military). He is a member of Board of Directors of subsidiaries and associated companies of Fauji Foundation including FFBL.

He is also on the Board of following entities:-

- Fauji Fertilizer Company Limited
- Fauji Cement Company Limited
- Foundation Power Company (Dharki) Limited
- Dharki Power Holdings Limited
- FFC Energy Limited

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

Brig Dr Gulfam Alam, SI(M), (Retd) was commissioned in the Pakistan Army Corps of Engineers on 14 April 1978. The Officer holds BSc (Civil Engineering) from Pakistan, MSc (Civil Engineering) and PhD (Structural Engineering) from University of ILLINOIS, USA. The Officer retired from Pakistan Army on 10 July 2011. During tenure of Military service the officer was employed on varied assignments mostly related to civil engineering.

He is on the Board of following entities:-

- Fauji Fertilizer Company Limited
- Fauji Cement Company Limited
- Dharki Power Holdings Limited
- Foundation Wind Energy – II
- Fauji Meat Limited
- Mari Petroleum Company Limited
- Foundation Power Company (Daharki) Limited
- Foundation Wind Energy – I
- Fauji Akbar Portia Marine Terminals
- Fauji Foods Limited

Brig Muhammad Saeed Khan
(Retd), Director

Brig Muhammad Saeed Khan, (Retd) is Director Human Resources & Administration of Fauji Foundation. He is graduate of Command and Staff College, Quetta. He served on varied command and staff appointments in Army and United Nations. He is a member of Board of Directors Fauji Foundation including FFBL, FCCL and FFCL.

Naved A. Khan
Director

Mr Naved A. Khan, is President & CEO at Faysal Bank Ltd. He has over twenty four years of work experience with twenty years of broad-based and varied Corporate and Investment Banking experience. His last assignment was as Chief Executive Officer-ABN AMRO Bank Pakistan Ltd with the primary responsibility of strategic management of the Bank's local franchise and its key businesses. Prior to joining ABN AMRO, he has been associated in senior management positions with Bank of America, Pakistan. He holds an MBA from Butler University, School of Business, Indianapolis, USA. He was the President of Pakistan Banks Association for 2006 & 2007. He is currently the Vice President of Institute of Banker's Pakistan (IBP), Chairman of its Academic Board and Member of IBP's Council. He is also the Chairman of ECH Task Force - State Bank of Pakistan; Vice President of Management Committee of Overseas Investor's Chambers of Commerce and Industry (OICCI) and Chairman of OICCI's Banking, Leasing and Insurance Sub Committee; Member of the Board of Karachi Shipyard and Engineering Works and Board Member of Rotary Club of Karachi Metropolitan.

Nasier A. Sheikh
Director

Mr Nasier A. Sheikh is Law Graduate and has over 38 years experience in Banking/ Financial Sector in local as well as International Banks. He has held various high profile positions in Banks in Sri-Lanka, UAE and Pakistan and rose to SEVP in Askari Bank Ltd., before taking over another group Company of AWT, Askari Leasing Limited as CEO. During his five years tenure with the Company, he achieved a complete turnaround of the Company from a loss making entity to a highly profitable entity, taking it to be the 2nd largest leasing Company in Pakistan. He was also Director/ Chairman of Audit Committee of Askari Insurance Ltd another group Company of AWT. In Feb, 2008, he was appointed as Administrator of Natover Leasing Ltd by SECP, after superseding its Board of Directors, and restrained the CEO of the Company under Sec. 282 of Companies Ordinance 1984, to run the affairs of the Company, a task he performed successfully till Feb, 2010.

In addition to being a Director on the FFBL Board, he is also the Chairman of Audit Committee.

Dr Rashid Bajwa
Director

Dr Rashid Bajwa is a MBBS, Gold Medalist and College color holder of King Edward Medical College as well as distinction with HM Queen's commendation in MPH Nuffield Institute for Health, University of Leeds, UK.

He is also MD, ECFMG, USA. He has professional experience of development specialist with experience of nonprofit corporate sector and Government. He is founding member of the organization NRSP Microfinance Bank. He is Chief Executive Officer, National Rural Support Programme (NRSP) 1996 - to date. Worked as Senior Advisor of Khushaali Bank Pakistan from 2000 to 2003. Also working as a Director with different Non-Profit Organizations. He is Ex Member of Civil Service of Pakistan (DMG) 1986 - 93, worked at all levels of the Government viz Deputy Chief, Planning & Development, Northern Areas and Assistant Commissioner/Deputy Commissioner from 1988 to 1993. Joined FFBL as a Director with effect from 26th Aug 2010.

Profile of the Board

Syed Aamir Ahsan
Chief Financial Officer/G.M. Finance

Syed Aamir Ahsan, is currently serving as Chief Financial Officer/General Manager Finance in FFBL. He is a graduate from the University of South Florida and Certified Public Accountant (CPA) from the University of Illinois, USA. He has a rich professional experience of over 27 years with 20 years in fertilizer business in Pakistan. After returning from USA, he joined Engro Chemical Pakistan Limited and served with them in various capacities from 1993 to 2002.

He joined FFBL in 2002 and in his role as Chief Financial Officer, he successfully managed financial restructuring of FFBL with GoP in his early days with the Company and all financial feasibilities and project phase of Pakistan Maroc Phosphore, S.A (PMP). He has extensive experience of managing finances, budget, tax planning, investor relations and audits. He also plays a leading role in the information technology (IT), operations, and HR teams.

He is on the Board of following entities:-

- Fauji Meat Limited
- Fauji Foods Limited

Brig Shaukat Yaqub Malik
SI(M), (Retd) Company Secretary

Brig Shaukat Yaqub Malik, (SIM), (Retd) was commissioned on 19 Oct 1976. The Brigadier held a distinguished career of 31 years in Pak Army. Has served on varied command, staff and instructional appointments. He is a graduate of Command & Staff College, Quetta and College of Electrical & Mechanical Engineering, Rawalpindi. He has also commanded a Brigade. In recognition of his outstanding services, has been awarded Sitara-e-Imtiaz Military SI(M). After retirement, he has served in private sector for two years. He is also a Chartered Member of Institute of Logistic and Transport (UK).

Introducing a new chapter of growth

Financial Highlights

FINANCIAL PERFORMANCE		2013	2012	2011	2010	2009	2008
Profitability Ratios							
Gross profit ratio	(%)	26.65	23.92	36.00	31.12	26.32	30.67
EBITDA margin to sales	(%)	20.68	20.18	33.28	27.59	23.10	31.27
Operating leverage ratio		1.40	3.65	2.14	2.59	0.03	0.49
Net profit to sales	(%)	10.31	9.06	19.27	15.06	10.30	10.81
Return on equity	(%)	40.71	34.57	78.96	53.35	35.50	27.65
Return on capital employed	(%)	39.05	31.48	63.80	40.46	24.53	17.73
Liquidity Ratios							
Current ratio	(Times)	0.73	1.00	1.17	1.19	1.10	1.09
Quick / Acid test ratio	(Times)	0.57	0.70	0.90	0.98	0.92	0.82
Cash and cash equivalent to current liabilities	(Times)	0.40	0.44	0.34	0.91	0.84	0.30
Cash flow from operations to sales	(%)	18.25	3.01	14.95	17.08	56.48	(35.63)
Activity / Turnover Ratios							
Inventory turnover	(Times)	13.30	8.80	15.29	23.86	7.77	5.94
Inventory turnover	(Days)	27	42	24	15	47	61
Debtors turnover	(Times)	14.30	11.67	31.03	58.87	54.97	53.13
Debtors turnover	(Days)	26	31	12	6	7	7
Creditors turnover	(Times)	6.81	5.12	6.53	8.58	7.20	6.41
Creditors turnover	(Days)	54	72	56	43	51	57
Total assets turnover	(Times)	1.47	1.18	1.39	1.22	1.01	0.57
Fixed assets turnover	(Times)	4.17	3.46	3.86	2.94	2.36	1.69
Operating cycle	(Days)	(1)	1	(20)	(22)	3	11
Investment / Market Ratios							
Earnings per share (pre-tax)	(Rs)	8.95	6.93	17.31	10.37	6.22	4.72
Earnings per share (after-tax)	(Rs)	6.01	4.65	11.53	6.97	4.05	3.10
Price earnings ratio	(Times)	7.29	8.31	3.68	5.13	6.45	4.16
Dividend yield ratio	(%)	11.41	11.66	23.57	18.33	15.31	22.09
Dividend payout ratio	(%)	83.19	96.77	86.73	93.97	98.77	91.94
Dividend cover ratio	(%)	120.18	103.26	115.30	106.41	101.25	108.77
Dividend per share - Interim	(Rs)	2.75	2.25	6.50	3.05	1.75	0.60
Dividend per share - Proposed Final	(Rs)	2.25	2.25	3.50	3.50	2.25	2.25
Market price per share							
- Year end	(Rs)	43.81	38.59	42.43	35.73	26.13	12.90
- High during the year	(Rs)	46.65	50.88	63.67	38.65	26.49	46.05
- Low during the year	(Rs)	36.70	35.30	35.08	25.08	12.48	12.90
Break up value	(Rs)	14.76	13.44	14.60	13.07	11.41	11.23
Capital Structure Ratios							
Financial leverage ratio		0.77	0.99	0.83	0.85	1.28	2.41
Weighted average cost of debt	(%)	9.59	11.70	12.85	12.53	13.18	11.29
Debt : Equity		04:96	09:91	19:81	24:76	31:69	36:64
Interest cover ratio	(Times)	6.52	4.55	15.86	11.37	4.98	2.58

FINANCIAL PERFORMANCE	2013	2012	2011	2010	2009	2008
						(Rs in million)
Summary of Balance Sheet						
Shareholders' equity	13,788	12,556	13,636	12,210	10,660	10,486
Capital employed	14,372	13,863	16,877	16,099	15,425	16,355
Property, plant & equipment	13,060	13,832	14,410	14,633	15,577	15,847
Total non - current assets	23,002	17,435	17,244	17,018	17,782	18,279
Working capital	(5,169)	25	3,273	2,929	1,697	2,273
Non current liabilities	4,045	4,905	6,881	7,737	8,818	10,066
Summary of Profit & Loss						
Sales - net	54,455	47,911	55,869	43,257	36,725	26,821
Gross profit	14,513	11,461	20,116	13,463	9,665	8,226
Profit before taxation	8,362	6,473	16,170	9,686	5,808	4,405
EBITDA	11,263	9,666	18,591	11,934	8,485	8,387
Profit after taxation	5,613	4,341	10,767	6,514	3,784	2,900
Summary of Cash Flows						
Net cash flow from Operating activities	9,940	1,443	8,354	7,388	20,744	(9,557)
Net cash flow from Investing activities	(10,246)	6,827	(7,508)	871	(266)	1,975
Net cash flow from Financing activities	(1,369)	(9,106)	(7,836)	(4,633)	(3,845)	(2,209)
Changes in cash and cash equivalents	(1,675)	(836)	(6,990)	3,626	16,633	(9,791)
Cash and cash equivalents - year end	3,042	4,717	5,553	8,317	6,318	(10,316)
						(Thousand Tonnes)
Quantitative Data						
Sona Urea (G) Production	224	281	433	524	627	668
Sona Urea (G) Sales	226	279	433	525	627	686
Sona DAP Production	744	648	662	660	540	471
Sona DAP Sales	773	611	663	658	709	307

Profitability ratios have improved due to ever highest production and sales of DAP. Gross profit ratio has improved for the year 2013 as compared to 2012. However gross profit ratio has reduced from year 2012 due to imposition of GIDC.

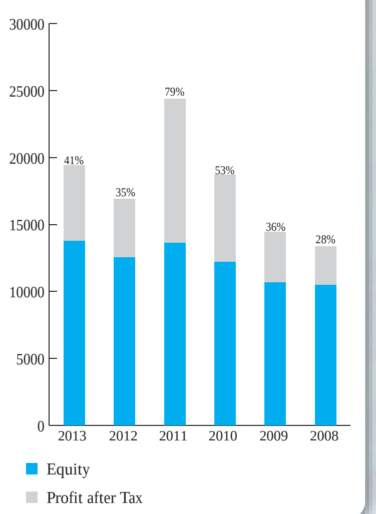
Return on equity has also shown improvement from last year from 34% to 41% and shows strong financial returns to stakeholders.

Earnings per share is generally considered to be the most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio. EPS of Rs. 6.01 for year 2013 is 30% higher than the last year and indicate the better financial results of the Company.

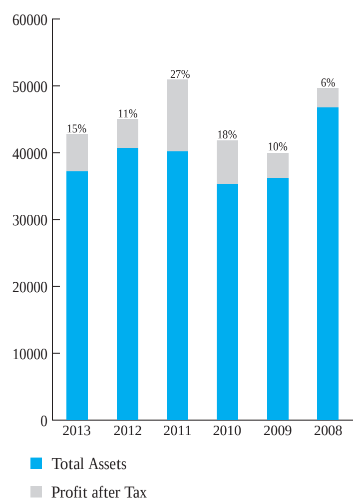
Debtor turnover days have been decreased to 26 from 31 as compared with last year.

Financial Highlights

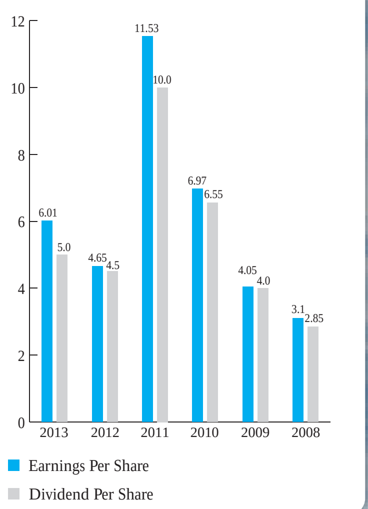
Return on Equity
(Percentage)



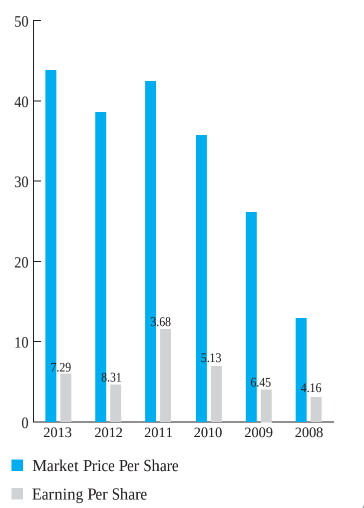
Return on Total Assets
(Percentage)



Earnings and Dividend per Share
(Rupees)



Price Earnings Ratio
(Times)



Quarterly Analysis - 2013

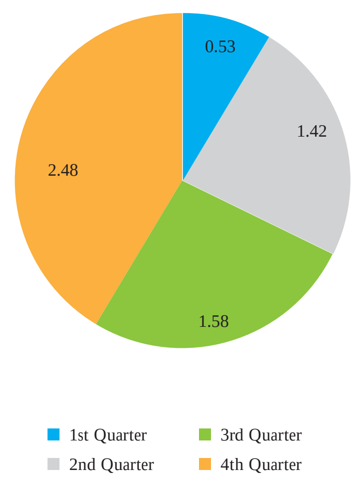
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
	Rupees in million				
Sales - net	7,694	12,448	13,639	20,674	54,455
Cost of sales	(6,046)	(8,834)	(9,765)	(15,297)	(39,942)
GROSS PROFIT	1,648	3,614	3,874	5,377	14,513
Selling and distribution expenses	(522)	(898)	(971)	(1,062)	(3,453)
Administrative expenses	(182)	(257)	(256)	(353)	(1,048)
Finance cost	(266)	(358)	(625)	(266)	(1,515)
Other operating expenses	(59)	(157)	(151)	(262)	(629)
Other income	128	109	162	95	494
PROFIT BEFORE TAXATION	747	2,053	2,033	3,529	8,362
Taxation	(255)	(728)	(556)	(1,210)	(2,749)
PROFIT AFTER TAXATION	492	1,325	1,477	2,319	5,613
Earnings per share - basic and diluted (Rupees)	0.53	1.42	1.58	2.48	6.01

Production (MT)					
DAP	144,981	202,390	197,852	199,213	744,436
Urea	54,691	61,417	66,931	41,438	224,477
Sales (MT)					
DAP	94,541	161,892	185,234	331,134	772,801
Urea	50,647	66,212	68,072	41,208	226,139

The first quarter at FFBL is always on the lower side due to annual turnaround and gas curtailment in the month of January / February. The additional expense of repair and maintenance along with low level of production and sales resulted in reduced profitability. DAP production maintained at high level in remaining three quarters whereas Urea production suffered due to consistent gas curtailment.

The demand of DAP is always high in fourth quarter due to sowing of Rabi crops. FFBL has ever highest DAP sales in year 2013 due to higher production and availability, which resulted in improved EPS as compared with last year.

Quarterly EPS (Rupees)

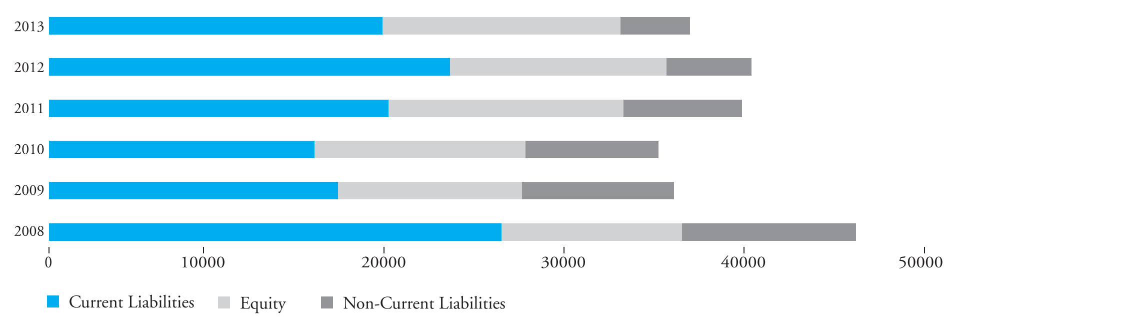


Horizontal Analysis - Balance Sheet

Rs in million

BALANCE SHEET	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												
Equity												
Share capital	9,341	-	9,341	-	9,341	-	9,341	-	9,341	-	9,341	-
Reserves	1,276	34.74	947	3.05	919	-	919	(1.39)	932	16.50	800	250.88
Accumulated profit	3,171	39.88	2,267	(32.85)	3,376	73.13	1,950	403.88	387	12.17	345	(132.52)
	13,788	9.82	12,555	(7.93)	13,636	11.68	12,210	14.54	10,660	1.66	10,486	23.25
Non - Current liabilities												
Long term liabilities	585	(52.52)	1,232	(61.99)	3,241	(16.66)	3,889	(18.38)	4,765	(18.81)	5,869	(15.83)
Deferred taxation	3,460	(5.80)	3,673	0.91	3,640	(5.41)	3,848	(5.06)	4,053	(3.43)	4,197	5.08
	4,045	(17.53)	4,905	(28.72)	6,881	(11.06)	7,737	(12.26)	8,818	(12.40)	10,066	(8.22)
Current liabilities												
Trade creditors, other payables & taxation	9,100	(22.47)	11,738	3.59	11,331	30.17	8,705	11.56	7,803	24.54	6,265	154.27
Interest and mark - up accrued	236	(16.01)	281	37.75	204	30.77	156	41.82	110	(81.48)	594	379.03
Short term borrowings	7,985	(13.37)	9,217	23.29	7,476	32.25	5,653	(26.87)	7,730	(57.66)	18,257	210.76
Current portion of long term loan	2,008	-	2,008	209.88	648	(25.94)	875	(20.74)	1,104	-	1,104	(0.27)
	19,329	(16.84)	23,244	18.24	19,659	27.75	15,389	(8.11)	16,747	(36.13)	26,220	173.98
	37,162	(8.70)	40,704	1.31	40,176	13.70	35,336	(2.45)	36,225	(22.55)	46,772	61.03
ASSETS												
Non - Current Assets												
Fixed assets	13,060	(5.58)	13,832	(4.32)	14,456	(1.71)	14,707	(5.59)	15,577	(1.70)	15,847	(3.71)
Long term investments	9,864	179.67	3,527	30.10	2,711	21.30	2,235	5.03	2,128	(11.96)	2,417	71.30
Long term deposits & prepayments	78	2.63	76	-	76	-	76	(1.30)	77	413.33	15	-
	23,002	31.93	17,435	1.11	17,243	1.32	17,018	(4.30)	17,782	(2.72)	18,279	2.21
Current assets												
Stores, spares and loose tools	2,107	4.77	2,011	5.51	1,906	0.21	1,902	2.81	1,850	30.01	1,423	12.31
Stock in trade	1,129	(76.85)	4,876	43.12	3,407	168.06	1,271	3.59	1,227	(78.39)	5,677	865.48
Trade debts	1,604	(35.03)	2,469	281.61	647	(22.05)	830	74.00	477	67.37	285	16.80
Loans and advances	592	21.56	487	(0.81)	491	330.70	114	2.70	111	70.77	65	(18.75)
Deposits and prepayments	30	25.00	24	84.62	13	(7.14)	14	180.00	5	-	5	(44.44)
Other receivables	897	(70.71)	3,063	36.38	2,246	935.02	217	(53.43)	466	(96.44)	13,096	925.53
Short term investments	5,323	243.42	1,550	(82.46)	8,838	607.04	1,250	(73.17)	4,659	-	-	(100.00)
Cash and bank balances	2,478	(71.81)	8,789	63.21	5,385	(57.67)	12,720	31.84	9,648	21.48	7,942	108.95
	14,160	(39.15)	23,269	1.47	22,933	25.19	18,318	(0.68)	18,443	(35.27)	28,493	155.29
	37,162	(8.70)	40,704	1.31	40,176	13.70	35,336	(2.45)	36,225	(22.55)	46,772	61.03

Balance Sheet Analysis - Equity and Liabilities
(Rupees in million)

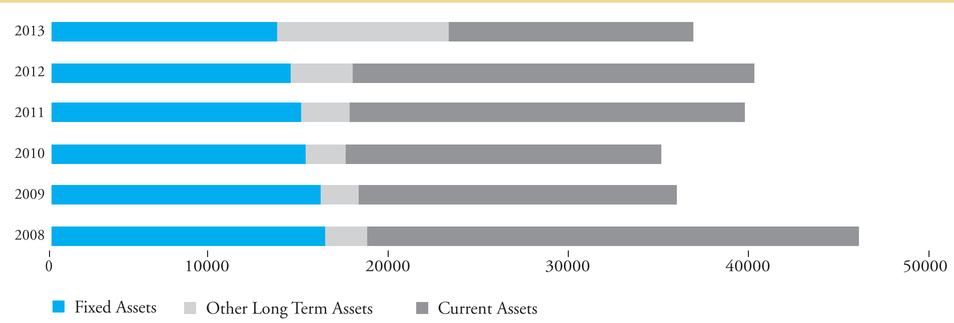


Vertical Analysis - Balance Sheet

Rs in million

BALANCE SHEET	2013 Rs	%	2012 Rs	%	2011 Rs	%	2010 Rs	%	2009 Rs	%	2008 Rs	%
EQUITY AND LIABILITIES												
Equity												
Share capital	9,341	25.14	9,341	22.95	9,341	23.25	9,341	26.43	9,341	25.79	9,341	19.97
Reserves	1,276	3.43	947	2.33	919	2.29	919	2.60	932	2.57	800	1.71
Accumulated profit	3,171	8.53	2,267	5.57	3,376	8.40	1,950	5.52	387	1.07	345	0.74
	13,788	37.10	12,555	30.84	13,636	33.94	12,210	34.55	10,660	29.43	10,486	22.42
Non - Current liabilities												
Long term liabilities	585	1.57	1,232	3.03	3,241	8.07	3,889	11.01	4,765	13.15	5,869	12.55
Deferred taxation	3,460	9.31	3,673	9.02	3,640	9.06	3,848	10.89	4,053	11.19	4,197	8.97
	4,045	10.88	4,905	12.05	6,881	17.13	7,737	21.90	8,818	24.34	10,066	21.52
Current liabilities												
Trade creditors, other payables & taxation	9,100	24.49	11,738	28.84	11,331	28.20	8,705	24.63	7,803	21.54	6,265	13.40
Interest and mark - up accrued	236	0.64	281	0.69	204	0.51	156	0.44	110	0.30	594	1.27
Short term borrowings	7,985	21.49	9,217	22.64	7,476	18.61	5,653	16.00	7,730	21.34	18,257	39.03
Current portion of long term loan	2,008	5.40	2,008	4.93	648	1.61	875	2.48	1,104	3.05	1,104	2.36
	19,329	52.02	23,244	57.10	19,659	48.93	15,389	43.55	16,747	46.23	26,220	56.06
	37,162	100.00	40,704	100.00	40,176	100.00	35,336	100.00	36,225	100.00	46,772	100.00
ASSETS												
Non - Current Assets												
Fixed assets	13,060	35.14	13,832	33.98	14,456	35.98	14,707	41.62	15,577	43.00	15,847	33.88
Log term investments	9,864	26.55	3,527	8.66	2,711	6.75	2,235	6.32	2,128	5.87	2,417	5.17
Long term deposits & prepayments	78	0.21	76	0.19	76	0.19	76	0.22	77	0.21	15	0.03
	23,002	61.90	17,435	42.83	17,243	42.92	17,018	48.16	17,782	49.09	18,279	39.08
Current assets												
Stores, spares and loose tools	2,107	5.67	2,011	4.94	1,906	4.74	1,902	5.38	1,850	5.11	1,423	3.04
Stock in trade	1,129	3.04	4,876	11.98	3,407	8.48	1,271	3.60	1,227	3.39	5,677	12.14
Trade debts	1,604	4.32	2,469	6.07	647	1.61	830	2.35	477	1.32	285	0.61
Loans and advances	592	1.59	487	1.20	491	1.22	114	0.32	111	0.31	65	0.14
Deposits and prepayments	30	0.08	24	0.06	13	0.03	14	0.04	5	0.01	5	0.01
Other receivables	897	2.41	3,063	7.53	2,246	5.59	217	0.61	466	1.29	13,096	28.00
Short term investments	5,323	14.32	1,550	3.81	8,838	22.00	1,250	3.54	4,659	12.86	-	-
Cash and bank balances	2,478	6.67	8,789	21.59	5,385	13.40	12,720	36.00	9,648	26.63	7,942	16.98
	14,160	38.10	23,269	57.17	22,933	57.08	18,318	51.84	18,443	50.91	28,493	60.92
	37,162	100.00	40,704	100.00	40,176	100.00	35,336	100.00	36,225	100.00	46,772	100.00

Balance Sheet Analysis (Assets)
(Rupees in million)



Horizontal & Vertical Analysis - Profit and Loss Account

HORIZONTAL ANALYSIS

Rs in million

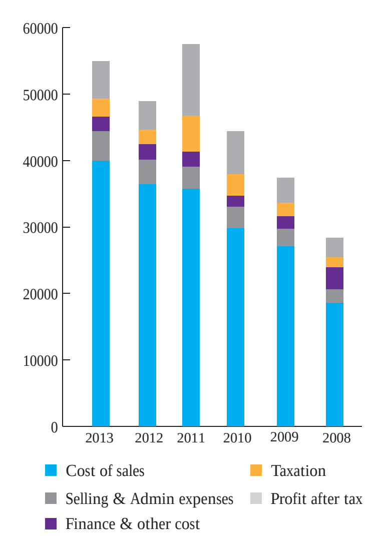
PROFIT & LOSS	2013 Rs	13 Vs 12 %	2012 Rs	12 Vs 11 %	2011 Rs	11 Vs 10 %	2010 Rs	10 Vs 09 %	2009 Rs	09 Vs 08 %	2008 Rs	08 Vs 07 %
Sales - net	54,455	13.66	47,911	(14.24)	55,869	29.16	43,257	17.79	36,725	36.93	26,821	119.07
Cost of Sales	39,942	9.58	36,450	1.95	35,753	20.00	29,794	10.10	27,060	45.52	18,595	150.61
Gross profit	14,513	26.63	11,461	(43.03)	20,116	49.42	13,463	39.30	9,665	17.49	8,226	70.56
Selling & distribution expenses	3,453	29.52	2,666	4.39	2,554	(1.20)	2,585	15.61	2,236	25.83	1,777	66.23
Administrative expenses	1,048	6.94	980	26.13	777	11.00	700	74.56	401	93.72	207	58.02
	10,012	28.11	7,815	(53.44)	16,785	64.91	10,178	44.82	7,028	12.59	6,242	72.29
Finance cost	1,515	(16.85)	1,822	67.46	1,088	16.49	934	(36.03)	1,460	(47.71)	2,792	342.47
Other operating expenses	629	11.33	565	(52.00)	1,177	65.08	713	60.95	443	(21.59)	565	64.24
	7,868	44.95	5,428	(62.62)	14,520	70.20	8,531	66.46	5,125	77.64	2,885	8.95
Other income	494	(52.73)	1,045	(36.67)	1,650	42.98	1,154	68.96	683	(55.07)	1,520	21.41
Profit before taxation	8,362	29.18	6,473	(59.97)	16,170	66.96	9,685	66.75	5,808	31.85	4,405	12.95
Taxation	2,749	28.94	2,132	(60.54)	5,403	70.39	3,171	56.67	2,024	34.49	1,505	10.66
Profit after taxation	5,613	29.30	4,341	(59.68)	10,767	65.29	6,514	72.15	3,784	30.48	2,900	14.17

VERTICAL ANALYSIS

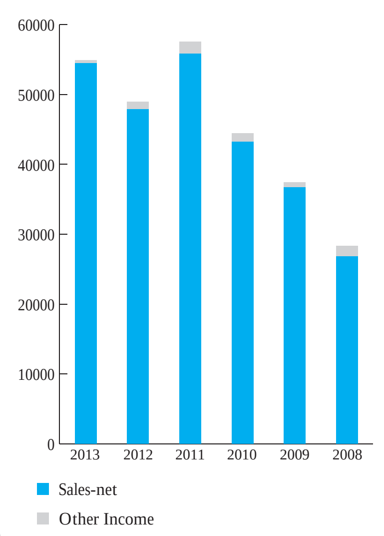
Rs in million

	2013		2012		2011		2010		2009		2008	
PROFIT & LOSS	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Sales - net	54,455	100.00	47,911	100.00	55,869	100.00	43,257	100.00	36,725	100.00	26,821	100.00
Cost of Sales	39,942	73.35	36,450	76.08	35,753	63.99	29,794	68.88	27,060	73.68	18,595	69.33
Gross profit	14,513	26.65	11,461	23.92	20,116	36.01	13,463	31.12	9,665	26.32	8,226	30.67
Selling & distribution expenses	3,453	6.34	2,666	5.56	2,554	4.57	2,585	5.98	2,236	6.09	1,777	6.63
Administrative expenses	1,048	1.92	980	2.05	777	1.39	700	1.62	401	1.09	207	0.77
	10,012	18.39	7,815	16.31	16,785	30.04	10,178	23.53	7,028	19.14	6,242	23.27
Finance cost	1,515	2.78	1,822	3.80	1,088	1.95	934	2.16	1,460	3.98	2,792	10.41
Other operating expenses	629	1.16	565	1.18	1,177	2.11	713	1.65	443	1.21	565	2.11
	7,868	14.45	5,428	11.33	14,520	25.99	8,531	19.72	5,125	13.96	2,885	10.76
Other income	494	0.91	1,045	2.18	1,650	2.95	1,154	2.67	683	1.86	1,520	5.67
Profit before taxation	8,362	15.36	6,473	13.51	16,170	28.94	9,685	22.39	5,808	15.81	4,405	16.42
Taxation	2,749	5.05	2,132	4.45	5,403	9.67	3,171	7.33	2,024	5.51	1,505	5.61
Profit after taxation	5,613	10.31	4,341	9.06	10,767	19.27	6,514	15.06	3,784	10.30	2,900	10.81

Profit and Loss Analysis (Expenses)
(Rupees in million)



Profit and Loss Analysis (Income)
(Rupees in million)



Notice of Annual General Meeting



Notice is hereby given that the 20th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held on 27 March 2014 at Pearl Continental Hotel, Rawalpindi, at 1100 hrs to transact the following business:

Ordinary Business

1. To confirm the minutes of Extraordinary General Meeting held on 25 November 2013.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and the Auditors' reports for the year ended 31 December 2013.
3. To appoint Auditor(s) of the Company for the year 2014 and fix their remuneration.
4. To approve payment of final dividend for the year ended 31 December 2013 as recommended by the Board of Directors.
5. Any other business with the permission of the Chairman.

By Order of the Board
Fauji Fertilizer Bin Qasim Limited
Brig Shaukat Yaqub Malik, SI(M), (Retd)
Company Secretary

Rawalpindi
28 February 2014

NOTES:-

1. Share transfer books of the Company will remain closed from 18 to 27 Mar 2014 (both days inclusive).

2. A member of the Company entitled to attend and vote at AGM may appoint a person/representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's registered office, 73-Harley Street, Rawalpindi, duly stamped and signed not later than 48 hours before the time of holding meeting. A member cannot appoint more than one proxy. Attested copy of shareholder's CNIC must be attached with the proxy form.

3. The CDC/sub account holders are required to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan:-

(a) For attending the meeting

i. In case of individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his / her original national identity card or original passport at the time of attending the meeting.
ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

(b) For appointing proxies

i. In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
iv. The proxy shall produce his/ her original CNIC or original passport at the time of the meeting.
v. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted to the Company along with proxy form.

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

5. As per clear direction of SECP, CNIC number is mandatory for the issuance of dividend warrant. The shareholders, who have yet not submitted copy of their CNIC, are once again requested to submit the copy of their valid CNIC to our shares registrar.

6. For any other information, please contact at:-
Ph # 051 9272196 - 7
Fax # 051 9272198 - 9

Chairman's Review

"Year 2013 was no different than the preceding year in terms of challenges faced by the fertilizer industry. In an era of depleting natural gas reserves and no major unearthing of new avenues of gas in the country, it has become an uphill task for the fertilizer industry to cope and manage the situation for ensuring continuity of its operations and achieving profitability for its shareholders."

On behalf of the Board of Directors, I am pleased to present Company's annual report and performance for the year ended Dec 31, 2013.

Year 2013 was no different than the preceding year in terms of challenges faced by the fertilizer industry. In an era of depleting natural gas reserves and no major unearthing of new avenues of gas in the country, it has become an uphill task for the fertilizer industry to cope and manage the situation for ensuring continuity of its operations and achieving profitability for its shareholders. Gas curtailment remained a persistent challenge for the fertilizer industry throughout the year especially the plants on the Sui network.

Instead of providing gas to local fertilizer plants to produce Urea domestically, GoP decided to divert the gas from fertilizer plants to power sector to reduce electricity load shedding on urgent basis. It necessitated import of Urea by spending a large amount of foreign exchange and huge subsidy to reduce the gap between the price of imported and locally produced Urea.

The management and employees of the Company have been toiling hard to keep the plant operational throughout the year. By the Grace of Almighty Allah, results of year 2013 have shown marked improvement as compared to the previous year signifying better management of limited resources, a commendable effort in the given circumstances.

I wish to thank and commend the efforts of all those individuals who have been part of the activity, during this challenging year. I also wish to take this opportunity to thank my fellow Directors, for making excellent contribution and sharing their experiences in difficult times.

I must acknowledge the contribution of GoP, SSGCL, our customers, suppliers and bankers in achieving Company's year end results and look forward for their continued assistance in the future as well. On behalf of the Board, I would like to express sincere thanks to our shareholders for evincing great confidence and trust in the Company.

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

A Word From The Chief Executive

"We at FFBL are conscious of the advantages of diversification of business especially in the given circumstances. The Company has incorporated two subsidiaries i.e. Fauji Meat Limited and Fauji Foods Limited to explore and benefit from the opportunities in Meat and Dairy Sectors."

Gas curtailment remained the biggest challenge for fertilizer industry during 2013. Last year GoP had changed priority for gas allocation and load management and downgraded fertilizer sector from second to third position. Despite all difficulties, FFBL is in close coordination with GoP for resolution of energy crisis in Pakistan and stands with it for prioritizing the gas management load to avoid costly imports of fertilizers.

The Company made concerted efforts at all levels to mitigate the impact of continued gas curtailment. Efforts were also made to reduce the plant downtime for maintenance and ensure continued operation. As a result we were able to achieve highest ever DAP production of 744,436 MT during the year. These efforts improved the profitability from last year despite higher gas curtailment and net profit after tax stood at Rs. 5,613 million as against Rs. 4,341 million last year.

GoP had imposed GIDC effective from Jan 01, 2012 on Feed and Fuel gas. The rate of GIDC has been further increased from Jan 01, 2014. This could possibly affect the profitability of the Company.

We at FFBL are conscious of the advantages of diversification of business especially in the given circumstances. After approval from BOD, the Company has incorporated two subsidiaries i.e. Fauji Meat Limited and Fauji Foods Limited to explore and benefit from the opportunities in Meat and Dairy Sectors.

FFBL has also invested in Askari Bank Limited. The new management of AKBL has taken major initiatives to improve profitability which will enhance the returns to shareholders.

I wish to thank every employee of the Company who has been part of the activity during this challenging year. Their dedication and consistent hard work made it possible for FFBL to earn a good name and be a premier organization for all stakeholders.

I also wish to acknowledge the contribution and cooperation extended by GoP, our valued customers, respected shareholders and other stakeholders in achieving Company's success and look forward for their continued assistance in future as well.

Lt Gen Muhammad Zaki
HI, HI(M), (Retd), CE & MD

Directors' Report

The Directors are pleased to present the 20th Annual Report along with audited Financial Statements of the Company and the Auditors' report thereon for the year ended 31 Dec 2013

Pakistan's Economy and its Outlook

While during 2013, Pakistan was able to tackle whatever challenges and opportunities were put its way, 2014 is likely to bring even greater challenges and opportunities for the country.

The European Union (EU) has granted the Generalized Scheme of Preferences (GSP) Plus status to Pakistan in December 2013. This status is likely to increase access to the EU market resulting in increase in exports especially the textile sector, also duty free imports of GSP-eligible products which are indeed a positive development. The grant of the GSP Plus status is effective from January 1, 2014.

GDP growth averaged only three percent over the past five years. Private domestic investment declined from 14 percent of GDP in 2007-08 to around 11 percent in 2012-13 due to an unfavorable business climate. State Bank of Pakistan reserves dropped to serious levels, falling by some 45 percent in the past year alone. As of end December 2013, reserves stood at US$3.65 billion.

Government of Pakistan (GoP) entered into an agreement with the IMF for a new loan facility to avoid external debt default. The speculation in the foreign exchange market has been contained and the downward slide of the exchange rate has been stopped, even if temporarily. GoP also

cleared the floating debt to increase electricity production and took some other measures to reduce the periods of load shedding. However, in the absence of measures to address the structural problems related to increase in production capacity, floating debt and heavy load shedding are surfacing again.

Low domestic savings, high budget deficit, double digit inflation and a wide foreign trade gap need to be addressed on a war footing. Menace of financing the money creation is fuelling inflation. If the GoP really wants to address the budgetary problems it must restructure the entire tax system on sound principles of public finance, take decisive measures to dismantle the underground economy, make the income tax base all inclusive, document the economy and modernize the taxation machinery to improve tax collection.

The long-term structural problems of the balance of payments also need attention. It requires reorientation of the economic development strategy, and a reformulation of macroeconomic policies to expand exports and contain imports so as to reduce the trade deficit, lower the inflation rate to impart stability to the nominal exchange rate and bring in more remittances and direct foreign investment to cover the residual balance of payments gap.

No doubt, such an approach requires policy measures that are politically difficult to undertake. But there is also no doubt that without bold structural economic reforms, the GoP will not be able to bring its fiscal situation under control, lower the rate of inflation, impart stability to the balance of payments and exploit the full growth potential of the economy.

Directors' Report (Contd.)

Global Economy

Global growth is in low gear, and the drivers of activity are slowly changing. These dynamics present policy makers new challenges. Advanced economies are growing again but must continue financial sector repair, pursue fiscal consolidation, and spur job growth. Emerging market economies face the dual challenges of slowing growth and tighter global financial conditions.

Markets are increasingly convinced that U.S. monetary policy is reaching a turning point, and this has led to an unexpectedly large increase in long-term yields in the United States and many other economies. This change could pose risks for emerging market economies, where activity is slowing and asset quality weakening. Also, growth in China is slowing, which will affect many other economies, notably the commodity exporters among the emerging market and developing economies. At the same time, old problems—a fragmented financial system in the euro area and worrisomely high public debt in all major advanced economies—remain unresolved and could trigger new crises. The major economies must urgently adopt policies that improve their prospects; otherwise the global economy may well settle into a subdued medium term growth trajectory. Many emerging market economies need a new round of structural reforms.

The latest indicators point to somewhat better prospects in the near term but different growth dynamics between the major economies continue to foresee a modest acceleration of activity, driven largely by the advanced economies. The impulse to global growth is expected to come mainly from the United States where activity will move into higher gear as fiscal consolidation eases and monetary conditions stay supportive.

The forecasts assume that Chinese accept somewhat lower growth, consistent with the transition to a more balanced and sustainable growth path. The forecast for real GDP growth for China has thus been reduced to about 7.5 percent for 2013–14. This slowdown will reverberate across developing Asia, where growth is expected to remain between 6.25 and 6.5 percent in 2013–14.

In central and eastern Europe, growth rates are projected to gradually increase, helped by recovering demand in Europe and improving domestic financial conditions.

In the Middle East, North Africa, Afghanistan, and Pakistan activity is projected to accelerate in 2014, supported by a modest recovery in oil production. Non-oil activity will remain generally robust in the oil-exporting economies, thanks in part to high public spending. By contrast, many oil-importing economies continue to struggle with difficult sociopolitical and security conditions.

International Agriculture and Fertilizer Situation

Unlike in 2012, favourable weather conditions have prevailed in the main agricultural regions during most of 2013. In response to attractive grain prices and the favourable weather, the 2013 world cereal output is seen as reaching a new record. FAO's forecasts point to an 8% year-on-year increase and a bumper crop of 2.50 billion metric tonnes. Production in 2013 is estimated to be 6% above the previous record, and 9% above the average of the previous five years. Record outputs are expected for all cereal categories. The 2013 wheat crop would sharply rebound (+7%), following a 6% contraction in 2012 driven by a drought-affected crop in the Commonwealth of Independent States (CIS). The 2013 harvest would surpass the previous record by more than 100 million metric tonnes (MMt).

Following a pause in 2012/13, world fertilizer demand is seen as rising firmly, to reach 18MMt nutrients in 2014/15. World fertilizer demand is estimated to have stagnated at 176 million metric tonnes nutrients in 2012/13. The campaign was strongly hit by a 7.4% contraction of regional demand in South Asia due to the impact of a late southwest monsoon, depreciation of regional currencies, and revision of the fertilizer subsidy rates in India. The drop in South Asia, as well as smaller declines in North America and Oceania, offset demand expansion in the rest of the world. Phosphorous demand was most heavily impacted, with a 0.5% year-on-year contraction. Nitrogen demand declined by 0.2%, while Potash demand rose by 1.2%. With favourable weather conditions in all the major fertilizer markets, and a progressive rebalancing of fertilization practices in India, world fertilizer demand is forecast to rise by 2.0% in 2013/14, to 179.5 MMt. Declining crop prices and improvement in fertilizer use efficiency are seen as mitigating the potential for a larger increase. Global Nitrogen demand would rise by 1.8%, to 109.6 million metric tonnes. The rebound in South Asia would account for half of the net increase. World demand for Phosphorous would expand by 1.8%, to 41.1 million metric tonnes, and that for Potash is seen as up by 2.4%, to 28.7 million metric tonnes. Total fertilizer demand is forecast to rise in all the regions but North America and Western and Central Europe.

Global nutrient demand was adequately supplied in 2013, with supply covered from production tonnage and important stock carry-overs in a few large consuming countries. Global production of ammonia, phosphate rock and potash totaled 234 million metric tonnes nutrients, increasing 2% over 2012. Globally, the fertilizer industry operated at 87% of installed capacity in both 2012 and 2013. There was sufficient spare supply to meet demand in all segments throughout 2013. However, fertilizer supply has been impacted by a shortfall in the supply of natural gas and by trade measures.

In 2013 global nutrient capacity grew at an aggregate rate of 5% over 2012, adding close to 10 million metric tonnes nutrients. However, about two thirds of the planned capacity additions in 2012/13 have been postponed to 2013/14 and, in certain cases, to 2015. In 2014, global nutrient capacity would reach 308.5 million metric tonnes nutrients, growing to 7 million metric tonnes nutrient or 3% over 2013.

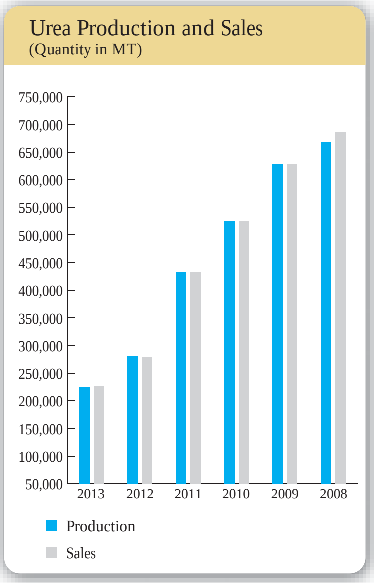
Since 2008, the fertilizer industry has invested massively to ensure that fertilizer supply adequately meets the growth in global nutrient demand. Several of these projects are now being commissioned. The main Greenfield additions to Urea capacity in 2013/2014 will occur in Abu Dhabi, Algeria, China, India, Indonesia, Saudi Arabia and Venezuela, for a total increment of 17 million metric tonnes of Urea. New merchant phosphoric acid capacity is seen in Tunisia and Jordan, while new granulation units for MAP and DAP will mainly be completed in China and Morocco. Potash incremental capacity will emerge in Canada, China and Russia.

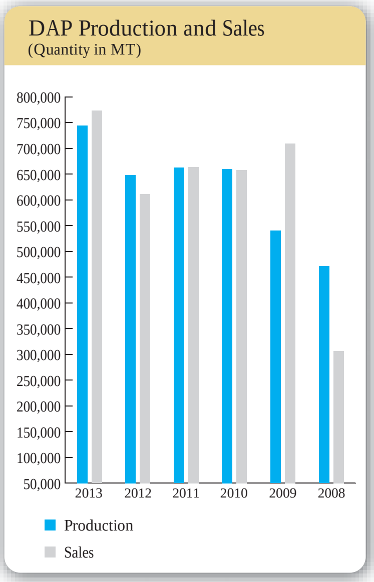
Global trade in 2014 is expected to increase for nearly all products, with noticeable growth projected for potash, DAP and, to a lesser extent, Urea and some feedstock and raw materials, i.e. seaborne ammonia, phosphate rock, phosphoric acid and sulphur.

Operational Highlights

By the grace of Almighty, the overall performance of the plants remained satisfactory and safe during the year. Gas curtailment remained the biggest challenge especially for the plants on Sui network. The gas curtailment to FFBL increased by 2% to 38% in year 2013. This curtailment adversely affected production of Ammonia and Urea which is lower by 2% and 20% respectively as compared with last year. Year 2013 Ammonia and Urea production is lower by 42% and 59% respectively in comparison with installed capacity.

However due to better management of low load of gas and at the same time maintaining safe and efficient operations of the plants, FFBL achieved ever highest DAP production of 744,436 metric tonnes during the year which is a great success. This ever highest production was also achieved due to close coordination with Office





Chérifien des Phosphates (OCP) for smooth supply of Phosphoric Acid from our PMP Plant.

Turnaround 2013

The Company successfully completed annual turnaround during first quarter with the satisfactory inspection and maintenance of all equipment in a safe manner. Safety orientation & awareness trainings imparted to 2,355 internal and external persons who participated in turnaround. Regular maintenance of plant and equipment is the key for efficient utilization of production resources. All activities were successfully completed within the stipulated time to improve plant efficiency and reliance. Foreign consultants from different countries also participated in turnaround for various jobs.

Venturing above and beyond

Directors' Report (Contd.)

Gas Curtailment & GIDC – Future Prospects

The performance of fertilizer sector of the country remained dull as diversion of gas from fertilizer plants to power sector was the only solution for GoP to reduce electricity load shedding on urgent basis. Instead of providing gas to local fertilizer plants to produce Urea domestically, GoP preferred to import Urea by spending a large amount of foreign exchange and further to this, GoP also paid huge subsidy on the imported Urea to keep it at the price of locally produced Urea.

FFBL's Ammonia and Urea plants remained shutdown for 59 days and 182 days respectively during the year due to non availability of gas. Average gas received was 53 MSCF per day against the agreed 85 MSCF per day by SSGC resulting in overall curtailment of 38%.

During last year GoP had changed priority for gas allocation and load management. Fertilizer sector which was on second priority after Domestic and Commercial was placed at third priority with power sector moving to second priority. Gas curtailment was not observed according to the priority and fertilizer sector faced more curtailment than the sector which comes after fertilizer in priority list. Consumption by Domestic and Commercial sector has also increased with growth rate of about 7%. Situation is worse on Northern Gas utility network resulting in significant decline is Urea production in year 2013 as well.

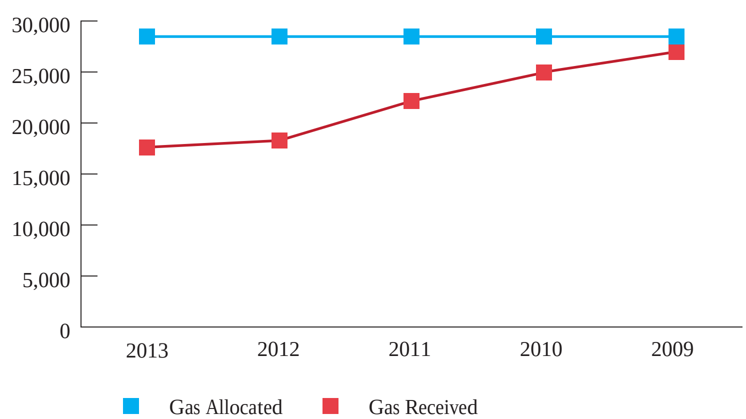
As a result of this significant gas curtailment the industry could only produce 4.8 million metric tonnes of Urea in year 2013 against annual production capacity of 6.9 million metric tonnes, a reduction of more than 30%.

Following statistics show increasing gas curtailment to FFBL plant. The gas curtailment has reached to 38 percent in 5 years time.

Year	Gas Allocated	Gas Received	Shortage	Percentage
	MMSC per Annum			
2013	28,475	17,626	10,849	38
2012	28,475	18,284	10,191	36
2011	28,475	22,159	6,316	22
2010	28,475	24,951	3,524	12
2009	28,475	26,945	1,530	5

GoP had imposed GIDC effective from Jan 01, 2012 on Feed and Fuel gas. The rate of GIDC was increased from Jan 01, 2014. GIDC on Feed gas has been increased to Rs.300 per MMBTU from Rs.197 per MMBTU and Fuel gas to Rs.100 per MMBTU from Rs.50 per MMBTU. This will affect the profitability of the Company going forward as FFBL has not passed on its impact to the customers.

Gas Curtailment Analysis
(MMSC per Annum)



Year 2013 witnessed a balanced supply situation in the domestic market; whereas the demand supply gap caused by production limitation was filled by adequate imports.

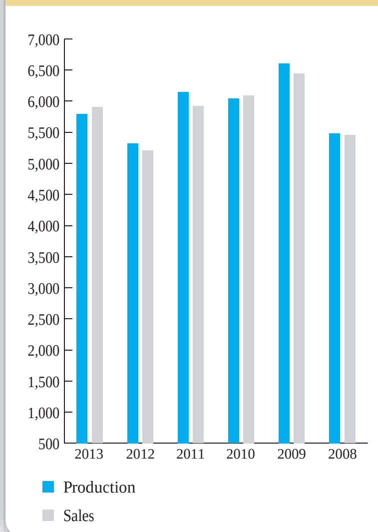
Marketing Highlights

Domestic Fertilizer Market Situation

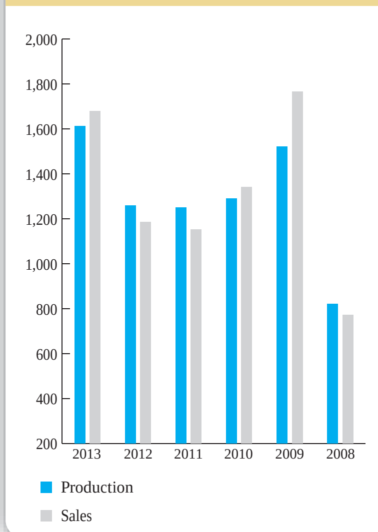
UREA

Year 2013 witnessed balanced supply situation in the domestic market; whereas the demand supply gap caused by production limitation was filled by adequate imports. Year started with an inventory of 434 thousand tonnes which was the highest opening level in the last 29 years; though around 91% was with NFML. Downward trend in international Urea prices continued in 2013 as prices dropped from US$ 395 per metric tonnes FOB Ex-Arabian Gulf at the start of the year to US$ 330 per metric tonnes at the end of 2013 after hitting the bottom at US$ 285 per metric tonnes in September 2013. During the year Urea off-take improved due to significant increase in market activity which was a result of better profit margins and good crop support prices. Government of Pakistan imported a total of 969 thousand tonnes Urea during the year to cover the supply demand gap.

Domestic Urea market is estimated to increase by 13% during Jan-Dec 2013 as compared to the same period of 2012. The Urea inventory at the beginning of the year was 18% higher than the opening inventory of 368 thousand tonnes of 2012. Indigenous Urea production continued to suffer from gas curtailment as only 4,828 thousand tonnes of Urea was produced during the year against installed capacity of 6.9 million tonnes, i.e. 70% of capacity, whereas production during the same period last year was 4,156 thousand tonnes thereby resulting in an increase in production of 16% compared to last year. Urea imports during Jan-Dec 2013 are estimated to be 969 thousand tonnes; 17% lower than the imports of 1,168 thousand tonnes during the same period of 2012. Sales are



Industry Output Vs Offtake - Urea
(Quantity in thousand tonnes)



Industry Output Vs Offtake - DAP
(Quantity in thousand tonnes)

Directors' Report (Contd.)

estimated at 5,903 thousand tonnes as compared to 5,237 thousand tonnes sales of Jan-Dec 2012. Urea inventory is estimated at 317 thousand tonnes at the end of 2013, which is 27% lower as compared to the closing inventory of 434 thousand tonnes at the end of same period last year. Major portion of closing inventory i.e. 292 thousand tonnes is being held by NFML.

DAP

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. The year started with considerably high inventory of 157 thousand tonnes which was 71% higher as compared to the opening inventory of 2012 in the domestic market. The international DAP market remained bearish during Jan-Aug, 2013 as international prices which were high at the end of 2012 started to go down this year. Also the weakening Indian Rupee made it difficult for India to import large quantities of DAP which forced the manufacturers to decrease the price in order to liquidate their inventories.

Domestic DAP market during Jan-Dec 2013 is estimated at 1,681 thousand tonnes; 42% higher than 1,182 thousand tonnes sales of Jan-Dec 2012. During the period Jan-Dec 2013 DAP production is 744 thousand tonnes, which is 15% higher than 645 thousand tonnes production of same period last year. DAP imports during Jan-Dec 2013 are estimated to be 869 thousand tonnes; 43% higher than 609 thousand tonnes imports of last year, while closing inventory at the end of 2013 is estimated to be 100 thousand tonnes, 36% lower as compared to 157 thousand tonnes closing inventory of December 2012.

FFBL Sales Performance

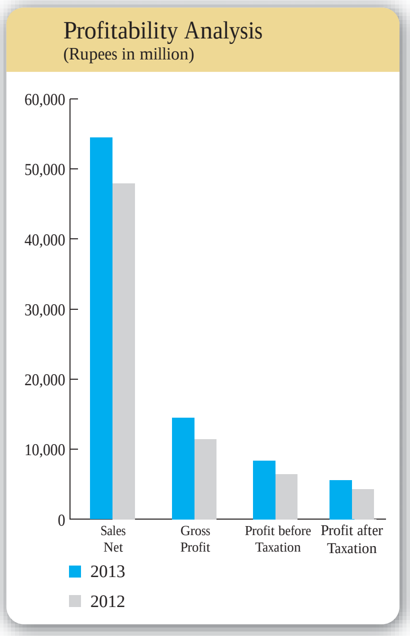
Sona Urea (G) sales during Jan-Dec 2013 are 226 thousand tonnes. These sales are 19% lower as compared to 279 thousand tonnes sales during the same period of 2012 due to production constraints mainly due to gas curtailment. Sona DAP sales during Jan-Dec 2013 are 773 thousand tonnes. These sales are 27% higher as compared to 611 thousand tonnes sales during the same period of 2012. Sona DAP sales of 773 thousand tonnes during the year was highest level ever achieved by the Company through its widespread dealer network despite tough competition in the local market. During Jan-Dec 2013, FFBL share in Urea and DAP market is estimated to be 4% and 46% respectively.

FFBL's financial results for the year 2013 have shown improvement as compared with last year - due to the highest ever production and sales of DAP

Financial Highlights

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

	2013	2012
	Rs (million)	
Sales – net	54,455	47,911
Gross Profit	14,513	11,461
Profit before tax	8,362	6,473
Net profit after tax	5,613	4,341
Earnings per share (Rs)	6.01	4.65



Financial Review

FFBL's financial results for the year 2013 have shown improvement as compared with last year. The main reason is the ever highest production and sales of DAP. FFBL sold 773 thousand tonnes of DAP during the year. Improved DAP sales is due to decline in local prices which was the result of fall in international prices of Phosphoric Acid and DAP.

The Company earned a gross profit of Rs. 14,513 million as compared to Rs. 11,461 million in the corresponding year. Financial charges have decreased to Rs. 1,515 million from Rs. 1,821 million due to less utilization of working capital lines owing to higher sales collections. This includes exchange loss of Rs. 376 million on account of devaluation of Pak Rupee against the US Dollar. Treasury income of Rs. 626 million was lower by Rs. 227 million as compared to Rs. 853 million of corresponding period.

Net profit after tax stood at Rs. 5,613 million against Rs. 4,341 million for the corresponding year. Company's earnings per share (EPS) at December 31, 2013 stood at Rs. 6.01 against an EPS of Rs. 4.65 in the corresponding year.

Directors' Report (Contd.)

FFBL Performance at a Glance

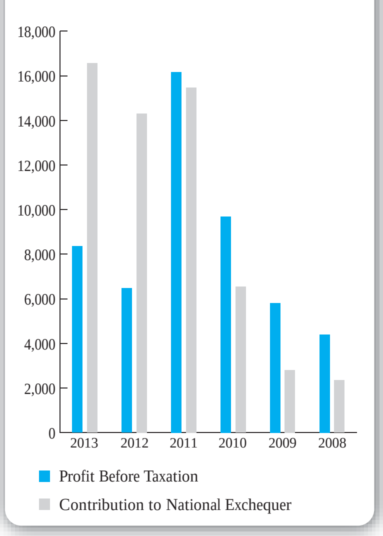
The summary of the FFBL performance for the last 6 years given below:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Annual	
Year	EPS	DPS	EPS	DPS	EPS	DPS	EPS	DPS	EPS	DPS
2013	0.53	-	1.42	1.75	1.58	1.00	2.48	2.25	6.01	5.00
2012	(0.41)	-	1.10	-	1.59	2.25	2.37	2.25	4.65	4.50
2011	1.67	1.25	2.09	2.25	3.91	3.00	3.86	3.50	11.53	10.00
2010	0.87	0.50	0.98	1.30	1.29	1.25	3.83	3.50	6.97	6.55
2009	0.01	-	0.52	0.50	1.40	1.25	2.12	2.25	4.05	4.00
2008	0.17	-	0.60	0.60	(0.19)	-	2.52	2.25	3.10	2.85

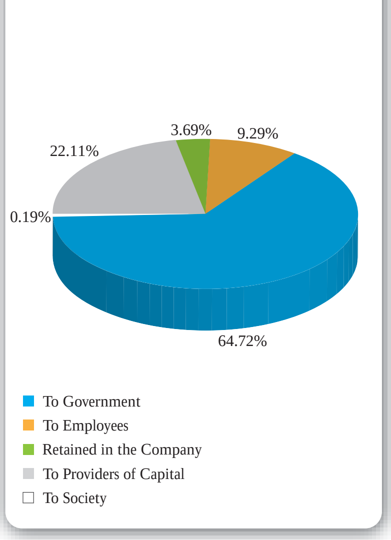
Contribution to National Exchequer and Value Addition

During the year, the Company has contributed an amount of Rs. 16,559 million, as against Rs. 14,314 million in 2012, towards the National Exchequer on account of GoP levies, taxes and import duties etc. Value addition in terms of net foreign exchange savings worked out to US$ 475 million through import substitution by manufacturing 224 thousand tonnes of Urea and 744 thousand tonnes of DAP during 2013. Contribution to the economy included Rs. 4,476 million in the form of Shareholders' returns through cash dividends, Rs. 1,183 million on account of payments to providers of capital in the form of mark-up and interest, while employees' remuneration & benefits stood at Rs. 2,377 million.

Profit Before Taxation and Contribution to National Exchequer



Wealth Distribution (%)



	2013 Rs (million)	%	2012 Rs (million)	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	64,309	251.35	56,873	241.91
Purchases - material and services	38,724	(151.35)	33,363	(141.91)
	25,585	100.00	23,510	100.00
WEALTH DISTRIBUTION				
To Employees				
Salaries, wages and other benefits	2,377	9.29	2,004	8.52
To Government				
Income tax, sales tax, custom and excise duty	13,194	51.57	11,062	47.06
GIDC	2,948	11.52	2,904	12.35
WPPF	417	1.63	348	1.48
To Society				
Donations and welfare activities	47	0.19	95	0.40
To Providers of Capital				
Dividend to shareholders	4,476	17.49	5,657	24.06
Finance cost of borrowed funds	1,183	4.62	1,309	5.57
Retained in the Company	943	3.69	131	0.56
	25,585	100.00	23,510	100.00

Directors' Report (Contd.)

Major Risks faced by FFBL along with mitigating factors are given below:

	No.	Risk	Mitigating Factors
Strategic	1	Increasing Trend of Gas Curtailment	FFBL is extensively working on alternate source of energy. Further FFBL is in close coordination with Ministry of Petroleum and SSGC for resolution of gas curtailment.
	2	Supply of Phosphoric Acid	FFBL has a joint venture with OCP group Morocco to ensure uninterrupted supply of Phosphoric Acid.
	3	Frequent technological advancements	FFBL uses proactive approach in introducing and implementing the latest technology from time to time. Our plants are high-tech with state of the art technology which is continuously upgraded.
Environmental	4	Environmental Risk	Since inception management at FFBL is very conscious about environmental safety and has never compromised on contributing to improve environment & safety standards in order to emerge as environment friendly organization.
Financial	5	Interest Rate Risk	FFBL manages its working capital requirements by maintaining a mix of Foreign Currency Import Finance (FCIF), Demand Finance and RF lines. KIBOR movement is also closely monitored.
	6	Liquidity Risk	Availability of funds is always ensured prior to any payment or contractual obligation. Working capital lines are also available to avoid any cash crunch.
	7	Credit Risk	FFBL's sales is mostly on cash or advance basis providing adequate cover against this risk. Credit sales are covered by bank guarantees.
	8	Market Risk	The Company stands exposed to all market risks in the normal course of its business operations.

Cash flow Management

The Company is committed to a strong financial profile, which gives us the financial flexibility to achieve our portfolio optimization goals. An effective Cash Flow Management System is in place whereby cash inflows and outflows are projected on regular basis, repayments of all long term and short term loans have been duly accounted for. Working capital requirements have been planned to be financed through internal cash generations and short term borrowings from external sources where necessary.

Capital Management

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. In order to achieve our goals for the betterment of the Company and to the overall economy of Pakistan, we shall continue to explore and tap opportunities, face challenges wherever required. Government policies, global & domestic economic forces and the money market would play a vital role in our decisions and ability to meet business objectives.

Risk Management

The management of the Company is primarily responsible for risk management, but the Board of Directors, internal auditor and external auditor also play critical roles. Risk management is the process of identifying, quantifying, and managing the risks that an organization faces. As the outcomes of business activities are uncertain, they are said to have some element of risk. These risks include strategic failures, operational failures, financial failures, market disruptions, environmental disasters, and regulatory violations.

While it is impossible that companies remove all risk from the organization, it is important that they properly understand and manage the risks that they are willing to accept in the context of the overall corporate strategy.

Assessment of Effectiveness of Risk Management

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

Best Corporate Practices

FFBL pursues perfection by encouraging adherence to best corporate and ethical practices, as a model corporate citizen. The Board is fully aware of the importance in adhering to the international and local principles of best corporate governance. All periodic financial statements of the Company were circulated to the Directors duly endorsed by the Chief Executive Officer and the Chief Financial Officer for approval before publication. Quarterly un-audited financial statements along with Directors' Reviews were published and circulated to the shareholders and regulators within one month. Half yearly financial statements reviewed by the Auditors were circulated within two months of the end of the period.

Duly audited annual financial statements were approved by the Board within one month after the closing date and shall be presented to the shareholders in the Annual General Meeting on March 27, 2014 for approval.

These statements have also been made available on the Company website and all important information including distributions to shareholders, considered sensitive for share price fluctuation, were transmitted to stakeholders and regulators immediately. Regular Analysts' Briefings were also held during the year to up-date the existing as well as potential investors about Company's state of affairs and its prospects.

Financial Reporting

The Chief Executive & Managing Director and CFO declared in writing to the Board that the Company's financial statements for the year under review present a true and fair view, in all material respects of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.

Safeguarding of Financial Transactions and Records

In an era of ever changing technological and business environment, organizations record their transactions to determine their performance and keep the records

Directors' Report (Contd.)

for future reference. This entails requirement for ensuring backup and security of data with modern IT enabled tools.

After implementation of SAP, existing financial and supporting record has been archived using Database Management System (DMS) in a manner enabling timely and efficient retrieval. After completion of archiving, paper based documentation was placed in a proper storage facility, for legal requirements.

A comprehensive passwords protected authorization matrix in SAP-ERP system is in place to ensure access to electronic documentation to the authorized personnel. A disaster recovery procedure is followed for maintaining off sites backups. They reduce both the risk and impact while happening of any unforeseen situation.

Dividend

Based on the performance of the Company, the Board is pleased to propose a final dividend of Rs.2.25 per share (22.5%) in respect of the financial year ended December 31, 2013. This final dividend will be subject to the approval of shareholders in their meeting scheduled on March 27, 2014. Moreover, two interim dividends of Rs.1.75 per share (17.5%) and Rs.1.00 per share (10%) were also paid during the year.

Risk & Opportunity Report

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

Risks

1. Security & Political Situation in the Country.
2. Gas curtailment due to diversion of gas to other sectors by GoP.
3. Fluctuating Exchange Rate risk
4. Rampant inflation affecting. production and distribution costs
5. Disruption of operations due to fire, terrorism, natural disasters
6. Loss of a key supplier e.g. provider of raw material.
7. Sudden imposition of duties, taxes, etc. on the products and raw materials of the Company
8. Risk of disruption to the IT and ERP operations.
9. Frequent change in legal and regulatory environment in which the business operates.
10. Unpredictable international market situation with reference to phosphate, sulphur and nitrogenous products.

Opportunities

1. Increase in fertilizer production to secure food for a growing population and obtain optimum yield.
2. FFBL management has envisaged the importance of Company's growth through business expansion & diversification.
3. Delivering premium quality fertilizer to farmers for better yield.
4. Stimulate technological innovation, advance competitiveness, and improvement in quality of life.
5. Savings of precious foreign exchange in terms of import substitution.

Corporate Governance

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

Corporate Governance is of prime importance, made possible by a knowledgeable and active Board of Directors, through adoption of a set of processes, customs and policies, to help us direct and control our activities with accountability and integrity. The Board's primary role is to protect and enhance long term shareholders' value. To fulfill the same it is responsible for the overall corporate governance of the Company including approving and monitoring the capital expenditure, giving strategic direction, appointing, removing and creating succession policies for directors and senior management, defining and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. The Board has formally delegated responsibility for administration and operation of the Company to the Chief Executive & Managing Director. Following committees have also been constituted which work under the guidance of the Board of Directors:-

- Audit Committee
- Human Resource & Remuneration Committee
- Technical Committee

SWOT Analysis

Strengths

- The only granular Urea plant in Pakistan
- The only DAP manufacturer in Pakistan
- Offshore joint venture to secure the supply of raw material
- Competent and committed human resource

Weaknesses

- Dependency on single source of gas supply
- Dependency on costly logistics in the absence of railway network

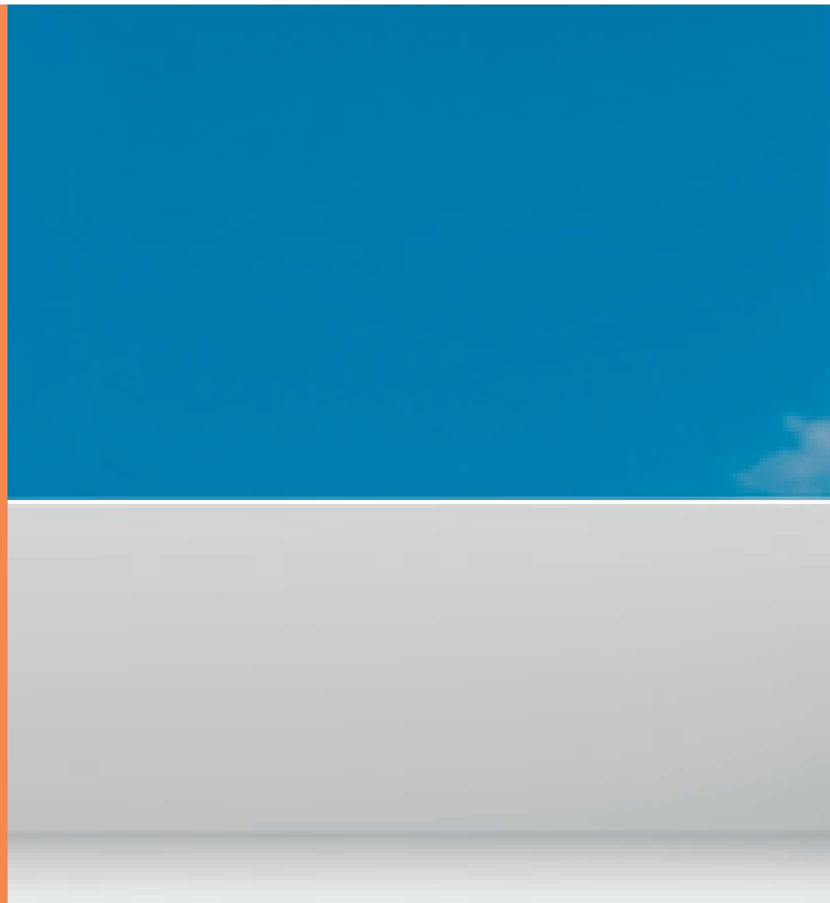
Opportunities

- Growing fertilizer demand in the country
- Diversification of investment
- Opportunity to export fertilizer
- Brand goodwill

Threats

- Increasing trend of gas price & curtailment
- Fluctuation in international prices of DAP & Phosphoric Acid
- Law and order situation
- General inflation & environmental threats (floods)

Corporate Objectives



Objective 1

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

Strategy

Improve the effectiveness and efficiency of our business processes by reducing throughput and simplifying production processes and enhance value.

Priority: High

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

Opportunities / Threats

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

Objective 2

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

Strategy

Identify, evaluate, analyze and undertake diversification within and outside the Fertilizer Industry.

Priority: High

Status: FFBL has identified quite a few areas of potential business segments and has undertaken strategic investments in the area of Food, Financial sector and wind energy project.

Opportunities / Threats

Foreign investment in Pakistan is at its lowest ebb due to rising inflation, energy crisis and deteriorating law and order situation, thereby creating an opportunity for local industry to tap unexplored resources in the economy.

Current trend of growth might not be sustainable considering shortage of gas, water and power. Diversification in hitherto unexplored / under explored fields and new emerging markets could help minimize this risk and ensure organizational growth.

Objective 3

Adopt cost saving measures and eliminating redundancies.

Strategy

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

Priority: High

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

Opportunities / Threats

A continuous monitoring and evolving process, plans for 2013 achieved.

Objective 4

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

Strategy

Environment, safety and health is held sacrosanct, with all our plants conforming to the international standards of environment protection and effluent disposal.

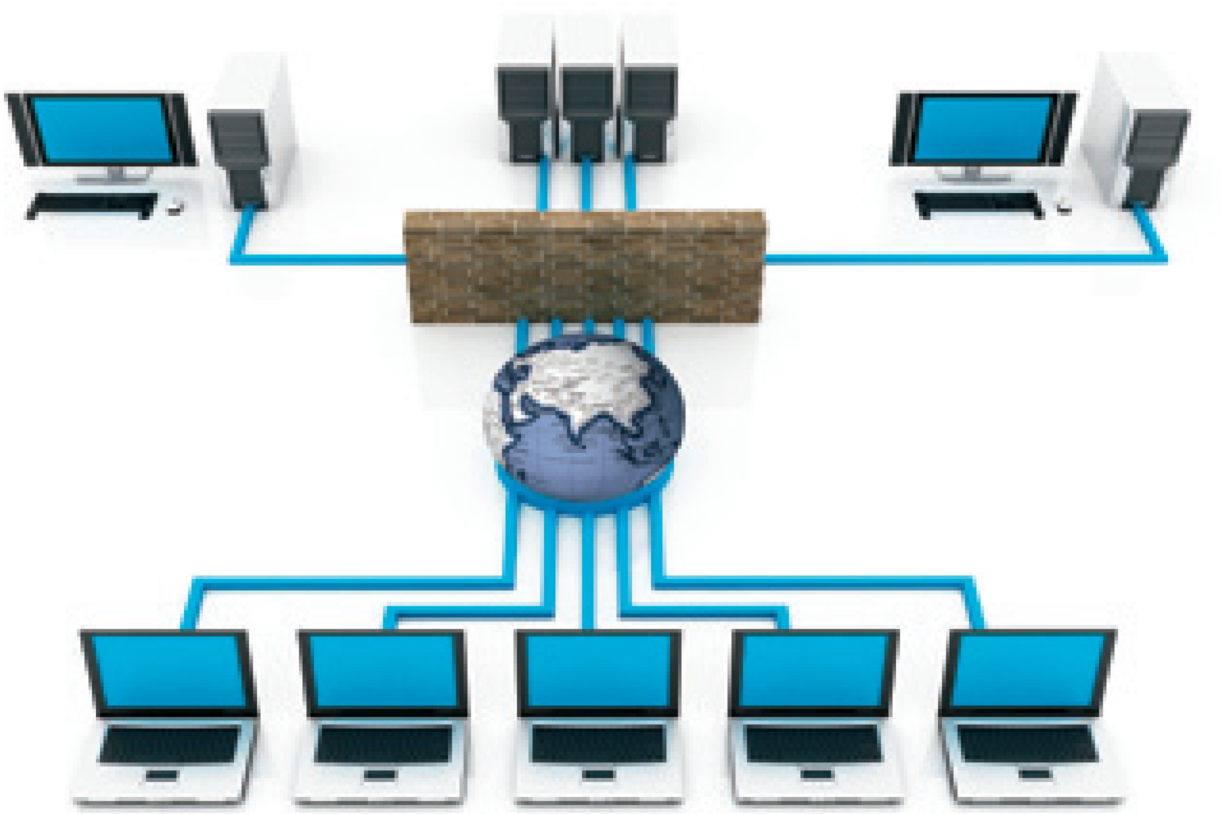
Priority: High

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

Opportunities / Threats

At FFBL, we are committed to maintain a safe and healthy working environment for all our employees. Our approach to HSEQ (health, safety, environment and quality) is proactive and designed to maintain highest operating standards and oriented towards long term development and occupational safety besides strengthening our employees' physical, mental and social well-being.

Directors' Report (Contd.)



IT Governance & SAP – ERP System

The increased dependency on information systems is critical to the operation of virtually all organizations. Access to reliable information has become an indispensable component of conducting business; indeed, in growing organizations like FFBL, information is the business.

To achieve effectiveness and sustainability in today's complex, interconnected world, IT governance must be addressed at the highest levels of the organization, as it is spread across the board within the organization.

FFBL IT department has adopted an enlightened approach to achieve effectiveness and sustainability in today's complex and interconnected world. The goal is to achieve optimized business process thereby increasing the overall productivity of the organization. As with other critical organizational resources, the IT governance must be addressed at the total enterprise level.

At FFBL, IT has taken pivotal role in deliverance of services and thereby driving the business, the focal areas include:

- Enterprise level single sign on solution
- Enterprise solution for smart phones
- Multi tier firewall and anti-virus deployment
- Layer 3 giga bit backbone network
- State of the art data center
- WAN/Internet links with backup connectivity
- Messaging and collaboration solutions
- Video Conferencing
- Implementation of VOIP solutions
- In-house application development with back end integration with SAP

Being the pioneer of SAP implementation in the fertilizer sector, FFBL has the distinction of being the torch bearer and leading the way forward for the sector in Pakistan.

The distinction has been realized at the national level, and FFBL IT department has been:

- Recipient of "Best Leadership Award" in ICT and Its Management for years 2012 and 2013

Embracing SAP Operational Excellence

FFBL IT focuses on the design and performance of integrated systems and processes that create strategic, competitive and operational value through speed, flexibility and adaptability. Successful implementation and running of SAP system is the result of our focused approach in this regard.

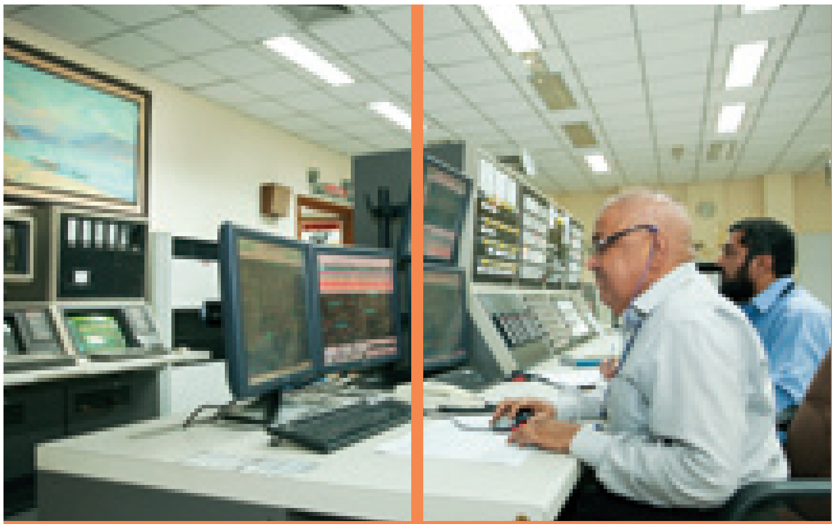
FFBL SAP Certified Center of Expertise

Continual efforts towards enhanced delivery and operational capabilities lead to operational excellence recognized by SAP AG through the award of SAP Customer Center of Expertise Certification (CCOE).

FFBL CCOE serves a "Single Source of Truth" and a hub for functional collaboration between business and IT as well as between FFBL and SAP. This helps to increase the transparency of business processes, minimize downtime to boost system and business process availability, and reduce Total Cost of Ownership (TCO). It also stimulates innovation by keeping software up-to-date with managing new requirements, providing skills training and making use of expertise on demand.

Code of Conduct

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



Internal Control System

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

The Company has increased its emphasis on control procedures of each business unit to confirm that corporate policies are executed and to mandate corrective action when necessary. Instrument of morning meeting, both at Head Office and at Plantsite is being applied by the top management to ensure that controls remain adequate and functions properly.

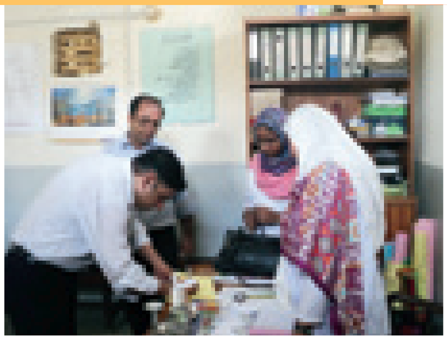
Auditors

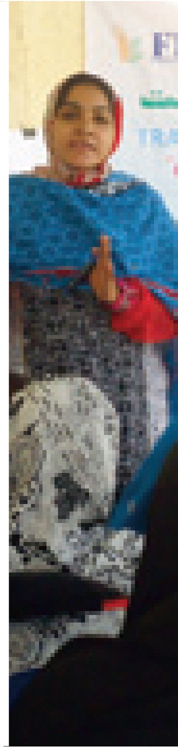
Present auditors, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, have retired and offered themselves for re-appointment. The Audit Committee recommended their re-appointment for the year 2014 on mutually agreed terms and conditions.

Compliance with International Industry Best Practices

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

Utilizing concepts and services within SAP Enterprise Support and adopting SAP Solution Manager as a central tool for end to end solution operation are progressive steps taken to achieve a holistic application lifecycle management approach.





Corporate Social Responsibility

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

Sustainable and responsible development has remained our primary concern since inception. FFBL has distinguished itself as a good neighbor, not only have we consistently delivered outstanding returns to our shareholders, we have worked hard to be a good employer, to be a catalyst for the social and economic development of the communities in which we operate, and to minimize our environmental impact.

In Nov 2010, after approval of the Board a formal, long-term CSR Program was launched in collaboration with a renowned NGO, Human Development Foundation (HDF). As per MOU the NGO has to implement all program activities in Ghaghar Phattak Bin Qasim Town, Karachi and FFBL to provide funds up to Rs.49.1 million over a period of 5 years. HDF is engaged in community development activities with special emphasis on health and education promotion.

Performance overview of basic program areas for community development addressed by FFBL are:

- Social Mobilization – A continuous process, six Village Development Organizations (VDOs) have been formed to create awareness, improve living conditions and to socially engage the elders resulting in overwhelming response from the locals. Social organizers are working in the field besides looking after the project.
- Basic Health Facilities- A community health centre (CHC) has been established constituting 02 medical officers and necessary para medical staff treating 70 to 80 patients per day. Moreover, a clinical laboratory has also been established to carry out baseline investigations.
- Education – An elementary girls school (6th garde-8th grade) has been established in rented building. Presently 29 local girls have been enrolled and three teachers have been employed for the purpose. Construction of school building is in process and gradual enhancement to 10th grade is planned with emphasis on female/adult literacy.
- Environmental Sustainability- Two water filtration plants have been installed and are in service at Goth Natho Khoso & Goth Haji Jungi Khan. Installation of further two water purification plants have also been planned in vicinity of Ghaggar Union Council during next two years.
- Economic Development –Young members of the community have been enrolled for various diplomas and short courses through FFBL

in technical/vocational training institutes, namely Vocational Training Centre, Steel Town, Karachi, Hunar Foundation, Karachi and Sind Madrasa Board Institute of Technology, Gadap, Karachi. FFBL in collaboration with other organizations is also providing financial assistance to the enrollees.

Donation to IBA for Infrastructure Development

Institute of Business Administration (IBA), Karachi, is most reputable institution of Pakistan. This institution is serving the nation since 1955 and every year a large number of IBA graduates both in the field of Management and Computer Sciences are contributing to the economy in terms of financial and intellectual capacity.

FFBL is committed to support higher education in Pakistan in order to contribute in the economic & socio development of the nation. Contributing to this cause grant of Rs. 100 million was approved for sponsoring infrastructure development projects and refurbishment of IBA Administration Block at Main Campus. Rs. 40 million from the approved grant has been disbursed to IBA during 2012 and further Rs. 30 million was paid in 2013 while balance amount of Rs. 30 million will be paid in 2014.

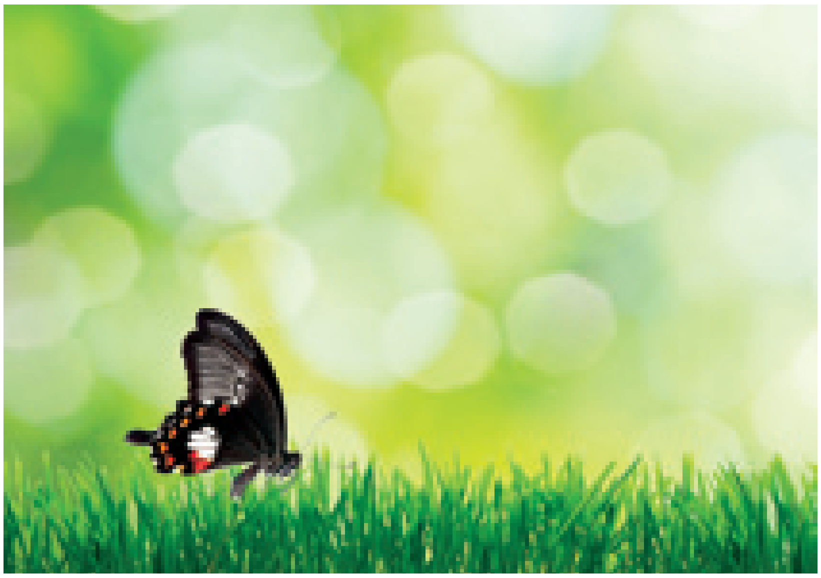
Donation to AFIC & Al-Shifa Trust Eye Hospital

FFBL's core values emphasize on active participation in improving basic health amenities. As one of the country's finest hospitals, Armed Forces Institute of Cardiology (AFIC) has a proud heritage of serving the country for more than 35 years.

This state-of-the-art tertiary care cardiac center with 250 beds is located in the heart of Rawalpindi, the twin city of the federal capital, Islamabad. AFIC has the honor to be serving a large population of the upper Punjab, the federal capital and Khyber Pakhtunkhwah province, Azad Kashmir and referred cases from the Armed Forces Hospitals all over the country. With presence of highly qualified specialists and progressive & active residency training programs in cardiology, cardiac surgery and cardiac anesthesia, AFIC-NIHD has gained the status of a model hospital in the country. An amount of Rs.1 million was paid by FFBL during 2013 to AFIC for purchase of Holter Monitor machine, an equipment essentially required for heart patients.

Al-Shifa Trust Eye Hospital Rawalpindi is a non-political, non-governmental, and not-for-profit organization involved in the delivery of high quality eye care services for the past 20 years, prevention and control of blindness by providing standard and sustainable eye care services which are accessible and affordable to all regardless of gender, race, color or religion. Its essential components would be hospital-based tertiary eye care services, community-oriented prevention of blindness program, need-based human resource development, promotion of basic and applied research in ophthalmology and development of appropriate and affordable technology. FFBL has provided financial assistance of Rs.1.7 million to Al-Shifa Eye Trust Hospital during 2013.

Directors' Report (Contd.)



Energy Conservation

Natural gas is the main feed and energy source of fertilizer for production and power generation. Therefore energy conservation is a key strategic driver for plant modernization and revamps projects, which translates into reduction in specific energy consumption and increase in the production capacities.

As part of our continual improvement program, we are consistently improving the specific consumption of gas that we use to produce Urea plus DAP.

In view of Natural Gas crises in the country, we did in-house modifications and developed strategies / procedures so that our plants could be operated at very low capacities. These changes also helped in significant reduction of gas losses by avoiding frequent start-ups and shut-downs of our production facilities. FFBL has undertaken following projects to increase over all plant capacity through efficient utilization of energy.

- Ammonia BMR
- DAP Revamp
- Commissioning of Hydrogen Recovery Unit

Environmental Protection Measures

FFBL recognizes its responsibility towards protecting, preserving and improving the environment since commissioning of its Ammonia, Urea & DAP plants. FFBL management believes that protecting the environment is not only an ethical and legal obligation but also a mechanism for success.

FFBL certified for Environmental Management System (ISO 14001:2004) in 2006 to strengthen its dedicated efforts towards the prevention of pollution in air, water and soil. FFBL is pioneer fertilizer industry in the country which opted environment friendly Phosphate Based cooling water treatment program.

FFBL has since come a long way in its efforts to conserve and preserve the environment, whether it is by maintaining the National Environment Quality Standards (NEQS) legal compliances in our emissions and discharges or by deploying new equipments / instruments to enhance environmental monitoring, growing trees and plants inside and outside factory premises and by providing awareness program for our young engineers, operators, neighboring industries and general community. Few highlights regarding environment protection measures by FFBL are as follows:

- Effective Monitoring and Control of Emissions and Discharges
- Third party analysis of environmental samples
- Investment in new technologies to improve environmental monitoring
- Emissions Monitoring of Neighboring Industry
- Growing of trees and plants
- Use of cooling water blow down for horticulture

FFBL is very much concerned about its environmental performance with respect to gaseous and liquid effluents as part of moral and legal obligation. Being a member of "Self Monitoring and Reporting Tool" (SMART) program launched by federal "Environmental Protection Agency" (EPA), monthly report of all analysis of gaseous and liquid effluents is submitted to "Sindh Environmental Protection Agency" (SEPA) on regular basis. To add value to this reporting FFBL's Laboratory had arranged third party analysis from M/s SGS Lab (a certified laboratory by SEPA) for all gaseous and liquid effluents during the month of January and November 2013.

FFBL invested in new and latest technologies to incorporate them in its environment monitoring program. A high tech. waste water composite sampler was installed to collect a composite sample of waste water from channel. This composite sample collects a composite sample of 24 hours which was previously collected as grab sample.

FFBL has also installed underground hand pumps near its evaporation pond to monitor the quality of underground water. These pumps collect the water sample at a depth of about 120~150 feet. Analysis of Urea and DAP stack was performed by using an Iso-kinatic sampling apparatus. This sampler collects the gaseous sample at the same velocity at which it is going out of stack.

FFBL has always taken the lead to provide facilities for monitoring emissions of neighboring industries. This will help these industries to control their emissions to protect the environment.

FFBL has focused on growing of trees and plants inside and outside factory premises to have a positive impact of greenery at factory and surrounding areas. FFBL has successfully converted the barren areas inside & outside its premises into lush green belts. Total trees planted 7,160. (Fruit trees 2,078, other trees 5,082).

Waste water at FFBL is mainly contributed by cooling water blow down. After monitoring the quality of blow down water it was decided by FFBL management to use main part of cooling water blow down for horticulture. At present we are continuously using 75% of this water

to maintain trees and plants inside and outside FFBL premises.

Occupational Health & Safety

FFBL is committed for maintaining a safe workplace by following health & safety rules and practices. FFBL is striving to make a safe and incident-free workplace. In its “Safety First” policy, the Company put forth all its efforts to incorporate health & safety in all its programs, awareness campaigns and implementations. Safety activities are conducted that could enhance active participation by all employees such as Safety Talk, Safety Slogan Competition, and Safety Trainings.

Plant completed 8.97 million safe man-hours and 58 months of safe operations on December 31, 2013 since last Loss Time Injury in February 2009. FFBL is member of National Safety Council, USA, since 2001.

Fire Protection Association of Pakistan (FPAP) bestowed FFBL with 10th Annual Environment Excellence Award in July-2013 in recognition of its performance in compliance to safe work practices, comprehensive fire fighting facilities and safety culture among contemporary industries.

Shareholders’ Information

To update shareholders about the operations, growth and state of affairs of the Company, the management promptly disseminates all material information including announcement of interim and final results to the Stock Exchanges. Quarterly, half

Directors' Report (Contd.)

yearly and annual financial statements are accordingly circulated within stipulated timeframe to all concerned. Similarly, notices and announcements of dividend are transmitted to all stakeholders and regulators within the time, laid down in the Code of Corporate Governance, Companies Ordinance 1984 and listing regulations of Stock Exchanges. The same are also uploaded immediately on Company's website (www.ffbl.com).

Shareholding Pattern

Company shares are quoted on all three Stock Exchanges i.e, Karachi, Lahore and Islamabad. A total of 305.58 million Company shares were traded only on the Karachi Stock Exchange during the year and the free float stood at 31.38%. The market capitalization of the Company stock was recorded at Rs. 40.92 billion at the close of 2013.

There were 14,530 shareholders of the Company's equity at the close of 2013. About 84.26% of total shares outstanding were closely held by the sponsors, investment companies, financial institutions and other corporate bodies. About 1.58% shares were kept by the foreign shareholders.

Share Price Sensitivity Analysis

Seeing the handsome dividend payout, FFBL share is considered to be a very safe investment.

FFBL shares were subject to a wide range of trading from a high of Rs. 46.65 per share to a low of Rs. 36.70 per share, closing the year at Rs. 43.81 per share. The closing price of FFBL share was 13.53% higher than the closing price of year 2012. This was mainly due to high expectations for the sale of DAP during Rabi season.

Awards & Recognitions

Aggregate foreign investment in FFBL equity has decreased to 34.8% than the previous year due to over all prevailing economic conditions of the country.

Top 25 Companies Award

FFBL again joins the elitist club at the Karachi Stock Exchange (KSE) for the fourth consecutive year and secured 5th position for the year 2012, among the top twenty five companies registered at this premier stock exchange of the Country. This is a matter of pride for the Company as the membership of the exchange stands close to 654 companies.

The KSE holds this competition to acknowledge best performing companies listed on the KSE. All companies are judged on the basis of a stringent criterion, set to focus on service to the shareholders and maximization of shareholders wealth.

Best Corporate Report Award

The Company achieved third position in Chemical & Fertilizer Sector awarded by the Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) on 22 Aug 2013.

Certificate of Excellence

CSR Business Excellence Award 2013 has been awarded to the Company in the category of Social Impact during 5th International Summit on CSR dated 28 Mar 2013.

Certificate of Appreciation

National Forum for Environment & Health has awarded Certificate of Appreciation during 10th Annual Environment Excellence Awards 2013 after careful consideration of track record, services and performance of FFBL.

Certificate from SAP

SAP has awarded a certificate to acknowledge that FFBL is officially certified by SAP as a Customer Center of Expertise in the context of the SAP License Agreement.

Human Capital Development

At FFBL, we believe there must be more proactive, result oriented and visible Human Capital initiatives through delivery of innovative and quality human resource programs, services and systems. Our underlying HR philosophy is to perceive people as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment. HCM Division, at FFBL, is focused on interventions that link commitment from the employees towards organizational goals and at the same time build organizational loyalty. 'Certificate of Ethics and Business Practices' is signed each year by every employee for focused approach.

In July 2013, FFBL's HCM Policies were reviewed by M/S Deloitte Consultants to ensure compliance with the provisions of Code of Corporate Governance, Companies Ordinance, relevant Labor Laws of Pakistan and best business practices. The same were ratified by the Board of Directors of FFBL.

HCM is focused on providing employees with clearly defined and consistently communicated performance expectations, aligned with the overall company strategy. The Division is striving towards implementing an effective performance management system, employing efficient compensation and benefits system, fostering innovation and continuous improvement.

FFBL identifies a talent pool from which it can develop potential successors to key posts. This is based on objective analysis of the skills of individuals with the potential to progress to senior positions to ensure confidence in the scheme and use of the widest range of talent in the organization. Through succession planning, the progress of individuals at different points in their career is managed to ensure talent is harnessed and encouraged.

At FFBL, opportunities are provided for focused training and participation in development programs across the board for enhancing technical and managerial expertise of the Human Capital. In 2013, the Company achieved approximately 24 hours of training per management employee.

Employees Retirement Benefits

Value of investments of Provident and Gratuity Funds as on 31 Dec 2013 (un-audited) is as under:-

	2013	2012
	Rs (million)	
Provident Fund	999	834
Employees Gratuity Fund	468	305

Directors' Report (Contd.)

Stakeholders' Engagement

FFBL stakeholders include the investment community, employees, contractors, national, regional and local governments, regulators, communities associated with our operations, business and joint venture partners, non-governmental and development organizations, suppliers, customers and media.

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

Analyst Briefings

Analyst briefing is held by the Company to update the investors and analysts in respect of current performance of the Company and its future outlook. This also includes sharing of information regarding new happenings in fertilizer industry at both national and international spheres. It provides a good forum for cross sharing of information and thoughts for mutual benefit.

Pakistan Maroc Phosphore, SA (PMP)

By the Grace of Almighty, PMP achieved best plant performance by producing 390 thousand tonnes of Phosphoric Acid against name plate capacity of 375 thousand tonnes of Phosphoric Acid, catering not only FFBL's entire requirement but also exported to others. This production is also better than budgeted production of 386 thousand tonnes.

Year 2013 appeared yet another challenging year on fiscal front owing to lingering imbalance between input and output prices. Phosphates market remained under pressure throughout the year with more decrease of phos acid price than the decrease in an input cost of Sulphur.

Market is expected to improve in 2014 and hence should impact positively on the financial performance of PMP, going forward.

Stepping into new waters

Directors' Report (Contd.)

Business Diversification

Wind Power Projects

Following shareholders approval in the 16th Annual General Meeting the Company paid off Rs.1,017 million towards two wind power plants, Foundation Wind Energy - I Limited (formerly Beacon Energy Limited) and Foundation Wind Energy - II (Private) Limited (formerly Green Power (Private) Limited) 49.5 MW each. Total estimated cost of each project is US$ 35 million. The projects have a "Debt to Equity" ratio of 75:25. The Company holds 35% shareholding in each project. Currently the construction of the plant is being carried out and the projects are expected to commence commercial production in 2014.

Meat Processing & Export Business

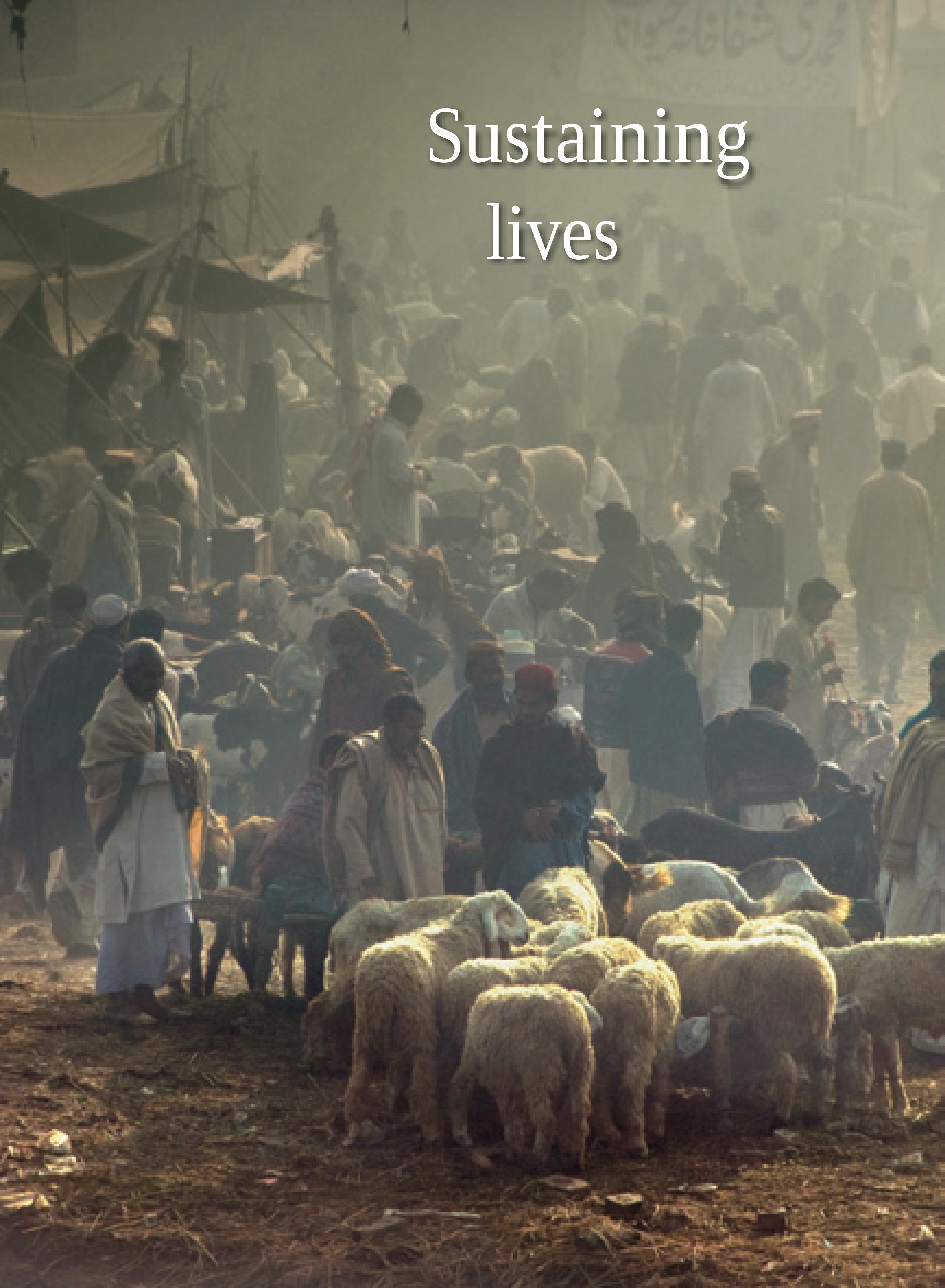
FFBL Management envisaged the importance of Company's growth through business expansion & diversification, and decided to get into Foods business. Two separate commercial entities, Fauji Meat Limited (FML) for Meat Business and Fauji Foods Limited (FFL) for Dairy Processing Business, were incorporated for independent handling of projects. The feasibility studies for both projects have been completed and considerable progress has already been made for project execution. The projects offer great potential in local as well as foreign markets.

Pakistan has the 4th largest herd for goat in the world with 60 million heads, 8th largest cattle herd with 34 million heads at steady growth rate of 4.5% and 9th largest herd of sheep with 28 million heads. The sector is barely touched by the corporate sector and has huge potential for growth with nearby markets like GCC. Considering domestic consumption, exports, illegal smuggling, still the cattle and goat herds growth rates are 3.54% and 2.71% respectively.

Askari Bank Ltd

As part of investment diversification, FFBL has invested in Askari Bank Limited during the year and acquired 271,884 thousand shares representing 21.57% holding. The new management of AKBL has initiated a major realignment of strategy & business process re-engineering and is in the process of implementing state of the art IT core banking system to improve its operational efficiency. This investment offers a unique opportunity for Fauji Group to create an annuity business of immense profit which will enhance the returns to shareholders in the long run.

Sustaining lives



Directors' Report (Contd.)

Business Challenges & Future Outlook

FFBL looks forward to a bright future with ever increasing demand for food and fertilizer and shall continue to contribute towards self sufficiency of country's agriculture.

Although Company has managed to achieve the good profits in the year 2013, however year 2014 would be another challenging year due to persistent gas curtailment, implementation of various investment and diversification projects. Despite all challenges FFBL is committed to perform and deliver best possible result under very challenging business and political environment. We shall continue to meet our strategic objective, long term goals and contribute towards country's betterment.

Board's Performance

To evaluate the effectiveness of the Company, the Board has a clear idea of its ultimate goals, and the means being used to achieve those goals. By law, Board carries responsibilities for policy, ethos and directions of the organization, the obligations which the Company undertakes and the contracts into which they enter. The Board has defined system and controls to cater for professional standards and corporate values, which promoted integrity of the Board as well as the Company. The performance of the Company is as a result of precise, reckonable, feasible and pragmatic decisions and policies set out by the Board of Directors of the Company.

Following are the major functions of the Company, which evaluate the Board's performance:-

- Enhancement in shareholders' value
- Implementation of Corporate Governance
- Financial performance of the Company
- Fulfillment of regulatory requirements
- Balancing, Modernization and Revamping of existing facilities
- Diversification
- Employee turnover and retention

It is, therefore, of critical importance for the Board to undertake regular reviews, to assess its strengths and weaknesses and to develop strategies to address any limitations that are identified.

CEO's Performance Review

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

- Ability to achieve mission and specific Board objectives
- Achieving medium-long term goals and key strategies
- Development and management of resources, policies and systems
- Statutory reporting and compliance
- Ensure long term profit and commercial viability
- Acquisition and utilization of market intelligence
- Active communication with all Board members
- Attendance to Board meetings and activities
- Affective management of key responsibilities
- Delegation and authority
- Excellence in customer fulfillment
- Demonstration of personal qualities

The emphasis, in reviewing CEO's performance is on 'identifying what works well', and 'what needs improvement'. The Board presents itself as a monitor by giving free hand to CEO in managing and implementing the predetermined key indicators of success. On the basis of CEO performance, the Board provides constructive and honest feed back in a supportive manner to protect and strengthen the integrity of the role of CEO.

Board of Directors

The Board exercises the powers conferred to it by the Code of Corporate Governance, the Companies Ordinance, 1984 and the Memorandum and Articles of Association of the Company, through Board meetings, which are held in every quarter for reviewing and approving the adoption of Company's financial statements, coupled with review and adoption of Business Plan.

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

Name	Attendance
Lt Gen Muhammad Mustafa Khan (Retd)	5
Lt Gen Muhammad Zaki (Retd)	5
Lt Gen Naeem Khalid Lodhi (Retd)	5
Mr Qaiser Javed	5
Dr Nadeem Inayat	5
Maj Gen Ghulam Haider (Retd)	5
Brig Parvez Sarwar Khan (Retd)	5
Brig Dr Gulfam Alam Khan (Retd)	5
Brig Muhammad Saeed Khan (Retd)	5
Mr Naved A. Khan	3
Mr Nasier A. Sheikh	5
Dr Rashid Bajwa	3

Board Committees

Audit Committee

Terms of Reference

The Committee comprises five members including its Chairman. Four members are non-executive directors, while one is independent director. As per revised Code of Corporate Governance 2012, Chairman Audit Committee should be an independent director with effect from the Election of Directors which was held on 20 Aug 2013. Therefore, Mr Nasier A. Sheikh, independent director, has been appointed Chairman of the Committee to meet the requirement of Code of Corporate Governance 2012.

The Committee meets at least once every quarter of the financial year. It reviews Company's interim and annual financial results, business plans and internal audit department reports, prior to the approval by Board of Directors. It also recommends to the Board the appointment of external auditors and advises on the establishment and maintenance of the framework of internal control and appropriate ethical standards for the management of the Company.

Directors' Report (Contd.)

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

Name	Attendance
Mr Nasier A. Sheikh	5
Mr Qaiser Javed	5
Dr Nadeem Inayat	4
Brig Parvez Sarwar Khan (Retd)	5
Brig Dr Gulfam Alam (Retd)	5

Technical Committee

Terms of Reference

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

During the year, six meetings of the Technical Committee were held, attendance by the members was as follows:-

Name	Attendance
Maj Gen Ghulam Haider (Retd)	6
Dr Nadeem Inayat	3
Brig Dr Gulfam Alam (Retd)	6
Brig Parvez Sarwar Khan (Retd)	6
Dr Rashid Bajwa	4

Human Resource & Remuneration Committee

Terms of Reference

HR Committee was renamed as Human Resource & Remuneration Committee (HR&R) as per Code of Corporate Governance 2012. The Committee comprises five members including its Chairman. Four members are non-executive directors, while one is independent director. It reviews all HR related matters of the Company.

During the year, three meetings of the HR&R Committee were held, attendance by the members was as follows:-

Name	Attendance
Dr Nadeem Inayat	3
Brig Parvez Sarwar Khan (Retd)	3
Brig Dr Gulfam Alam (Retd)	3
Brig Muhammad Saeed Khan (Retd)	3
Mr Naved A. Khan	2

Head Office Building Project Committee

The Board of Directors vide 98th BOD meeting dated 12 Apr 2013, has constituted Head Office Building Project Committee. The Committee comprises four members including its Chairman. Two members are non-executive directors, while two are independent directors. It reviews Head Office Building construction matters.

During the year, one meeting of the Committee was held, attendance by the members was as follows:-

Name	Attendance
Brig Dr Gulfam Alam (Retd)	1
Brig Muhammad Saeed Khan (Retd)	1
Mr Naved A. Khan	-
Mr Nasier A. Sheikh	1

Training of the Board

As per requirements of the regulatory framework, each member of the Board shall be subject to orientation and training for enhancing their management skills. During the year directors of FFBL were sent for training to enhance their management skills and keep them abreast with the best management practices and policies adopted by developed nations across the globe.

Directors' Statement

Directors are pleased to state that:

- The financial statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- Proper books of account of the Company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts regarding the Company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- Information regarding outstanding taxes and levies, as required by listing regulations, is disclosed in the notes to the financial statements; and
- Statement of value of investments in respect of employees' retirement plan has been given in note 11 of the financial statements.

Acknowledgment

The Board of Directors would like to express its appreciation for the efforts and dedication of all employees of FFBL which enabled the management to run the Company efficiently during the year resulting attainment of good performance. The Board also wishes to recognize the extraordinary contribution of our customers, suppliers, bankers, SSGCL and GoP in achieving Company's success and looking forward for their continued assistance in the future as well.

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

For and on behalf of the Board

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

Leaving no stone unturned

FFBL
Fauji Fertilizer Bin Qasim Limited

Financial Statements
for the year ended December 31, 2013

Statement of Compliance

with Code of Corporate Governance
For the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in regulations no 35 (XI) of 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	Names
Non-Executive Directors	Lt Gen Muhammad Mustafa Khan HI(M), (Retd) Lt Gen Naeem Khalid Lodhi HI(M), (Retd) Mr Qaiser Javed Dr Nadeem Inayat Maj Gen Ghulam Haider HI(M), (Retd) Brig Parvez Sarwar Khan SI(M), (Retd) Brig Dr Gulfam Alam SI(M), (Retd) Brig Muhammad Saeed Khan (Retd)
Executive Directors	Lt Gen Muhammad Zaki HI, HI(M), (Retd)
Independent Directors	Mr Naved A. Khan Mr Nasier A. Sheikh Dr Rashid Bajwa

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

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. No casual vacancy occurred in the board during the year.

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

9. The board arranged appropriate training programs for its directors during the year.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and 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 all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises five members, of whom four 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 an HR and Remuneration Committee. It comprises five members, of whom four are non executive directors including the chairman of the committee and one independent director.

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 directors, employees and stock exchanges.

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

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

Lt Gen Muhammad Zaki HI, HI(M), (Retd)
Chief Executive & Managing Director

Rawalpindi
January 27, 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 ("the Statement") contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Fauji Fertilizer Bin Qasim Limited, ("the Company") to comply with the Listing Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulation of Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires 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 transaction 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 procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2013.

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

Islamabad
27 Jan 2014

Engagement Partner
Riaz Pesnani

Auditors' Report to the Members

We have audited the annexed balance sheet of Fauji Fertilizer Bin Qasim 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 indicated in note 3.1 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 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.

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner
Riaz Pesnani

Islamabad
27 Jan 2014

Balance Sheet
as at December 31, 2013

	Note	2013	Restated 2012
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	9,341,100	9,341,100
Capital reserve	5	228,350	228,350
Statutory reserve		6,380	6,380
Translation reserve		1,041,870	712,205
Accumulated profit		3,170,674	2,267,489
		13,788,374	12,555,524
NON - CURRENT LIABILITIES			
Long term loan and deferred Government assistance	6	584,119	1,232,320
Deferred liabilities	7	3,460,397	3,672,639
		4,044,516	4,904,959
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	8	8,371,789	11,248,586
Mark - up accrued	9	236,052	280,606
Short term borrowings	10	7,985,128	9,216,660
Current portion of long term loan	6	2,008,682	2,008,682
Provision for income tax - net		727,582	488,594
		19,329,233	23,243,128
		37,162,123	40,703,611
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 37 form an integral part of these financial statements.

	Note	2013	Restated 2012
		(Rupees'000)	
NON - CURRENT ASSETS			
Property, plant and equipment	13	13,059,509	13,822,842
Intangible assets	13	–	9,280
Long term investments	14	9,864,133	3,527,062
Long term deposits		78,643	76,312
		23,002,285	17,435,496
CURRENT ASSETS			
Stores and spares	15	2,107,493	2,011,482
Stock in trade	16	1,129,257	4,876,305
Trade debts	17	1,603,643	2,469,075
Advances	18	572,966	448,063
Trade deposits and short term prepayments	19	29,877	23,641
Interest accrued		19,729	39,317
Other receivables	20	705,513	2,994,808
Sales tax refundable		190,691	66,457
Short term investments	21	5,323,136	1,550,000
Cash and bank balances	22	2,477,533	8,788,967
		14,159,838	23,268,115
		37,162,123	40,703,611

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

Profit and Loss Account
for the year ended December 31, 2013

	Note	2013	Restated 2012
		(Rupees'000)	
Sales - net	23	54,455,168	47,911,164
Cost of sales	24	(39,942,664)	(36,450,042)
GROSS PROFIT		14,512,504	11,461,122
Selling and distribution expenses	25	(3,452,539)	(2,665,725)
Administrative expenses	26	(1,048,037)	(980,118)
		10,011,928	7,815,279
Finance cost	27	(1,514,931)	(1,821,471)
Other operating expenses	28	(629,399)	(565,239)
		7,867,598	5,428,569
Other income			
Share of (loss) / profit of joint venture and associates - net	14	(163,356)	6,743
Others	29	657,431	1,038,010
		494,075	1,044,753
PROFIT BEFORE TAXATION		8,361,673	6,473,322
Taxation	30	(2,748,662)	(2,132,642)
PROFIT AFTER TAXATION		5,613,011	4,340,680
Earnings per share - basic and diluted (Rupees)	31	6.01	4.65

The annexed notes 1 to 37 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

Statement of Comprehensive Income

for the year ended December 31, 2013

	Note	2013	Restated 2012
		(Rupees'000)	
Profit after taxation		5,613,011	4,340,680
Other comprehensive income			
Exchange difference on translating a joint venture	14	326,903	28,132
Effect of translation - share of Askari Bank Limited under equity method		2,762	–
Changes in accounting policy for recognition of actuarial gains and losses	11	(39,275)	(12,703)
Total comprehensive income		5,903,401	4,356,109

The annexed notes 1 to 37 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

Cash Flow Statement
for the year ended December 31, 2013

	Note	2013	Restated 2012
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	14,458,830	5,414,055
Finance cost paid		(1,183,287)	(1,309,119)
Taxes paid		(2,852,600)	(2,266,323)
Payment to Gratuity Fund		(42,596)	(34,417)
Compensated absences paid		(23,551)	(13,180)
Payment to Workers' (Profit) Participation Fund		(417,042)	(348,162)
Net cash generated from operating activities		9,939,754	1,442,854
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(619,069)	(851,076)
Long term investments		(6,170,763)	(781,350)
Proceeds from sale of property, plant and equipment		17,716	10,757
Long term deposits		(2,331)	–
Short term investments		(3,892,175)	8,078,520
Profit received on bank balances and term deposits		421,109	369,683
Net cash (used in) / generated from investing activities		(10,245,513)	6,826,534
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan - repayments		(648,201)	(648,201)
Short term borrowings - net		3,755,000	(2,800,000)
Dividend paid		(4,475,942)	(5,657,099)
Net cash used in financing activities		(1,369,143)	(9,105,300)
Net decrease in cash and cash equivalents		(1,674,902)	(835,912)
Cash and cash equivalents at beginning of the year		4,717,307	5,553,219
Cash and cash equivalents at end of the year		3,042,405	4,717,307
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
- Cash and bank balances	22	2,477,533	8,788,967
- Short term highly liquid investments	21	1,200,000	1,550,000
- Short term running finance		(635,128)	(5,621,660)
		3,042,405	4,717,307

The annexed notes 1 to 37 form an integral part of these financial statements.

CHAIRMAN | CHIEF EXECUTIVE | DIRECTOR

Statement of Changes in Equity
for the year ended December 31, 2013

	Note	Share capital	Reserves: Capital reserve	Reserves: Statutory reserve	Reserves: Translation reserve	Accumulated profit	Total
		(Rupees '000)					
Balance as at January 01, 2012 - as previously reported	3.1	9,341,100	228,350	6,380	684,073	3,375,779	13,635,682
Changes in accounting policy for recognition of actuarial gains and losses		–	–	–	–	(65,134)	(65,134)
Balance as at January 01, 2012 – restated		9,341,100	228,350	6,380	684,073	3,310,645	13,570,548
Total comprehensive income							
Profit for the year after taxation		–	–	–	–	4,340,680	4,340,680
Changes in accounting policy for recognition of actuarial gains and losses		–	–	–	–	(12,703)	(12,703)
Other comprehensive income for the year		–	–	–	28,132	–	28,132
Total comprehensive income for the year		–	–	–	28,132	4,327,977	4,356,109
Transactions with owners, recorded directly in equity							
Distributions to owners							
Final dividend 2011 (Rs. 3.50 per ordinary share)		–	–	–	–	(3,269,385)	(3,269,385)
Interim dividend 2012 (Rs. 2.25 per ordinary share)		–	–	–	–	(2,101,748)	(2,101,748)
Total transactions with owners		–	–	–	–	(5,371,133)	(5,371,133)
Balance as at December 31, 2012 – restated		9,341,100	228,350	6,380	712,205	2,267,489	12,555,524
Balance as at January 01, 2013 – restated	3.1	9,341,100	228,350	6,380	712,205	2,267,489	12,555,524
Total comprehensive income							
Profit for the year after taxation		–	–	–	–	5,613,011	5,613,011
Changes in accounting policy for recognition of actuarial gains and losses		–	–	–	–	(39,275)	(39,275)
Other comprehensive income for the year		–	–	–	329,665	–	329,665
Total comprehensive income for the year		–	–	–	329,665	5,573,736	5,903,401
Transactions with owners, recorded directly in equity Distributions to owners							
Final dividend 2012 (Rs. 2.25 per ordinary share)		–	–	–	–	(2,101,748)	(2,101,748)
1st interim dividend 2013 (Rs. 1.75 per ordinary share)		–	–	–	–	(1,634,693)	(1,634,693)
2nd interim dividend 2013 (Re. 1 per ordinary share)		–	–	–	–	(934,110)	(934,110)
Total transactions with owners		–	–	–	–	(4,670,551)	(4,670,551)
Balance as at December 31, 2013		9,341,100	228,350	6,380	1,041,870	3,170,674	13,788,374

The annexed notes 1 to 37 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements
for the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance,1984, and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The registered office of the Company is situated at Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi, Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers. The Company commenced its commercial production effective January 1, 2000. The Company is a subsidiary of Fauji Fertilizer Company Limited (the holding company) with shareholding of 50.88%.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

As explained in note 3.5.1, the Company's investment in its associated company, Askari Bank Limited (AKBL), has been accounted for without alignment of accounting policies which is in accordance with applicable accounting framework in Pakistan. AKBL and the Company has same holding company who has sought clarification from the Securities and Exchange Commission (SECP) of Pakistan in this respect. SECP has given exemption to the holding company from consolidating AKBL in its consolidated financial statements for the year ended December 31, 2013.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

2.4.1 Staff retirement gratuity

Defined benefit plan is provided for permanent employees of the Company. The plan is typically structured as a separate legal entity managed by trustees. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, the 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.

2.4.2 Property, plant and equipment

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

2.4.3 Provision for inventory obsolescence and doubtful receivables

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

2.4.4 Taxation

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

2.4.5 Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

2.4.6 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 loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Employees' retirement benefits

The Company has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

The Company operates a defined contributory provident fund for all its permanent employees. The fund is administered by trustees. Monthly contributions are made to the fund both by the Company and employees at the rate of 10% of basic pay. The Company's contribution is charged to expense for the year.

Gratuity Fund - Defined Benefit Scheme

The Company operates a defined benefit funded gratuity for all employees who complete qualifying period of service and age. The Fund is administered by trustees. Contribution to the fund is made on the basis of actuarial valuation using Projected Unit Credit Method, related details of which are given in note 11.1. Amount determined by the actuary as charge for the year is included in profit and loss account for the year.

Notes to the Financial Statements
for the year ended December 31, 2013

Change in accounting policy - staff retirement benefits

IAS 19 (as revised in June 2011) "Employees Benefits" became applicable to the Company during the year. The amendments to IAS 19 has changed accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligation and fair value of plan assets when they occur, and hence eliminate 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net-interest' amount under IAS 19 (as revised in June 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. IAS 19 (as revised in June 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. Effects of retrospective application of this change in accounting policy has been disclosed in note 11.1.

Compensated absences

Change in accounting policy - staff retirement benefits

The Company has changed its policy during the year and the provision for compensated absences is now determined based on actuarial estimates. Actuarial valuation is carried out using the Projected Unit Credit Method. This change in accounting policy has been applied prospectively as per the requirements of the transitional provisions of IAS 19- "Employees Benefits". Had the Company not changed the accounting policy, charge for compensated absences would be lower by Rs.54,974 thousand with corresponding decrease in provision for compensated absences. Also refer to note 7.1.

3.2 Taxation

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

Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.3 Fixed assets

3.3.1 Property, plant and equipment and capital work in progress

Property, plant and equipment except for freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work in progress are stated at cost less allowance for impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bring the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

Depreciation is calculated on the straight line method 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 13. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

3.3.2 Intangibles

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

3.4 Borrowing costs

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

3.5 Investments

3.5.1 Associates and jointly controlled entities (equity accounted investees)

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest including any long-term interest is reduced to zero and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

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Unrealized gains or losses arising from transactions with equity accounted investees are eliminated to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Investment in equity accounted investee is carried using equity method of accounting less impairment loss, if any.

The Company has an associate, Askari Bank Limited (AKBL), which is a banking company engaged in commercial banking and related services. The applicability of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40 "Investment Property" has been deferred for banking companies by the State Bank of Pakistan, where as IAS 39 and IAS 40 are applicable to the company. Accordingly equity accounting of AKBL is based on financial statements prepared under the accounting frame work applicable to banking companies in Pakistan.

3.5.2 Investments at fair value through profit or loss - held for trading

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

3.5.3 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 amortized cost using the effective interest method, less any impairment losses.

3.5.4 Investment available for sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity as reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Unquoted equity investments are carried at cost less provision for impairment, if any.

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

3.5.5 Acquisition under common control

Acquisition under common control of the shareholders are initially recognized 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 Company's (acquirer) comparative financial statements.

3.6 Goodwill

Goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

3.7 Impairment

Impairment losses are recognized as expense in the profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. For non-financial assets, financial assets measured at amortized cost, available-for-sale financial assets that are debt securities, the reversal is recognized in profit and loss account. For available-for-sale financial assets that are equity securities, the reversal is recognized through other comprehensive income.

3.8 Stores and spares

These are valued at lower of weighted average cost and net realizable value less impairment. For items which are slow moving and / or identified as surplus to the Company's requirement, an impairment is made.

3.9 Stock in trade

These are valued at the lower of weighted average cost and net realizable value except for stock in transit which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date less impairment, if any.

Cost is determined as follows:

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

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

3.10 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Company de-recognizes the financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments.

Trade and other payables

Liabilities for trade and other amounts payable are carried at amortized cost, which approximates the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Company.

Trade debts and other receivables

Trade debts and other receivables are due on normal trade terms. These are stated at amortized cost as reduced by appropriate provision for impairment, if any. Bad debts are written off when identified.

Off-setting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Notes to the Financial Statements
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3.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances, short term highly liquid investments and short term running finance.

3.12 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at originally recognized amount less subsequent repayments, while the difference between the original recognized amounts (as reduced by periodic payments) and redemption value is recognized in the profit and loss account over the period of borrowings on an effective rate basis. The borrowing cost on qualifying asset is included in the cost of related asset as explained in note 3.4.

3.13 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3.14 Dividends

Dividend is recognized as a liability in the period in which it is declared.

3.15 Foreign currency

Foreign currency transactions

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

Investment in foreign joint venture

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- income and expense items are translated at the average exchange rates for the period.
- equity components are translated at the historical exchange rates.

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

3.16 Revenue recognition

Sale

Sales revenue is recognized 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, commission and trade discounts.

Scrap sales and miscellaneous receipts

Scrap sales and miscellaneous receipts are recognized on realized amounts on accrual basis.

3.17 Basis of allocation of common expenses

The holding company under an agreement, allocates on a proportionate basis common selling and distribution expenses being the cost incurred and services rendered on behalf of the Company under an inter company services agreement.

3.18 Earnings per share

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

3.19 Finance income and finance costs

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

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

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

3.20 New accounting standards and IFRIC interpretations

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

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Notes to the Financial Statements
for the year ended December 31, 2013

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” Continuing hedge accounting after derivative novations (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 “Employee Benefits” Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Amendments to IAS 27 “Consolidated and Separate Financial Statements” – consolidation relief for investments funds (effective for annual periods beginning on or after 1 January 2014). A qualifying investment entity is required to account for investments in controlled entities - as well as investments in associates and joint ventures - at fair value through profit or loss (FVTPL); the only exception would be subsidiaries that are considered an extension of the investment entity’s investing activities. The consolidation exception is mandatory - not optional.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 ‘Share-based Payment’. IFRS 2 has been amended to clarify the definition of ‘vesting condition’ by separately defining ‘performance condition’ and ‘service condition’. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

- IFRS 3 ‘Business Combinations’. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

- IFRS 8 ‘Operating Segments’ has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment’s assets to the entity assets is required only if this information is regularly provided to the entity’s chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- Amendments to IAS 16 ‘Property, plant and equipment’ and IAS 38 ‘Intangible Assets’. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

- IAS 24 ‘Related Party Disclosure’. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

- IAS 40 ‘Investment Property’. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

		2013	2012
		(Rupees'000)	
4.	SHARE CAPITAL		
4.1	ISSUED, SUBSCRIBED AND PAID - UP CAPITAL		
	934,110,000 ordinary shares of Rs. 10 each issued for cash	9,341,100	9,341,100

4.2 The holding company and Fauji Foundation held 475,232,996 and 161,501,286 (2012: 475,232,996 and 161,501,286) ordinary shares respectively of the Company at the year end.

		2013	2012
4.3	AUTHORIZED SHARE CAPITAL		
	1,100,000,000 Ordinary shares of Rs. 10 each	11,000,000	11,000,000

5. CAPITAL RESERVE

This represents share premium of Rs. 5 per share received on public issue of 45,670 thousand ordinary shares in 1996.

		Note	2013	2012
			(Rupees'000)	
6.	LONG TERM LOAN AND DEFERRED GOVERNMENT ASSISTANCE - UNSECURED			
	Government of Pakistan (GoP) loan	6.1	2,514,867	3,065,986
	Less: Current portion shown under current liabilities		2,008,682	2,008,682
			506,185	1,057,304
	Deferred Government assistance	6.1	77,934	175,016
			584,119	1,232,320

6.1 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 amortized to fully offset the financial charge on the loan at an imputed rate of 7%. The amount amortized and offset against financial charges during the year amounted to Rs. 97,082 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 Company with GoP through prepayment of GoP loan. In this regard the Company appointed M/s A. F. Ferguson & Co, Chartered Accountants, as 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 Company's financial record relating to the Company's determination of the amount of excess cash and prepayment to GoP. The draft report of consultant 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 Company 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 Company and by way of hypothecation of movable properties of the Company. 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 Company to obtain an indemnity from GoP confirming that it is GoP's absolute obligation to indemnify and keep related banks and financial institutions harmless

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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.

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 Company has not been vacated up to December 31, 2013. The Company is making efforts in getting this guarantee released.

		Note	2013	2012
			(Rupees'000)	
7.	DEFERRED LIABILITIES			
	Compensated leave absences	7.1	358,052	227,369
	Deferred tax	7.2	3,102,345	3,445,270
			3,460,397	3,672,639

7.1 The Company grants compensated absences to all its employees in accordance with the rules of the Company. Provisions are made in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees are entitled maximum 30 days privilege leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 120 days which are encashable at the time of separation from service on the basis of last drawn gross salary.

	2013	2012
	(Rupees'000)	
The movement in the present value of compensated absences is as follows:		
Opening liability	227,369	233,267
Expense for the year	99,260	7,282
Past service cost	54,974	–
Benefits paid during the year	(23,551)	(13,180)
Closing liability	358,052	227,369

	2013	2012
The main assumptions used for actuarial valuation are as follows:		
Discount rate - per annum	11.50%	–
Expected rate of increase in salaries - per annum	11.50%	–
Leave accumulation factor - days	10	–

		Note	2013	2012
			(Rupees'000)	
7.2	The balance of deferred tax is in respect of the following major taxable temporary differences:			
	Accelerated depreciation		3,155,906	3,523,482
	Provision against doubtful receivables		–	(18,734)
	Share of profit / (loss) of associates		2,726	(1,536)
	Provision for inventory obsolescence		(56,287)	(57,942)
		7.2.1	3,102,345	3,445,270

		2013	2012
		(Rupees'000)	
7.2.1	The movement of deferred tax during the current year is as follows:		
	Opening balance	3,445,270	3,406,875
	(Reversal) / charge for the year	(342,925)	38,395
	Closing balance	3,102,345	3,445,270

7.2.2 At December 31, 2013, a deferred tax liability of Rs. 318,096 thousand (2012: Rs. 285,125 thousand) on temporary difference of Rs. 935,575 thousand (2012: Rs. 814,644 thousand) related to investment in the joint venture was not recognized as the Company controls the timing of reversal of temporary differences.

		Note	2013	Restated 2012
			(Rupees'000)	
8.	TRADE AND OTHER PAYABLES			
	Creditors		4,409,906	7,282,685
	Accrued liabilities		1,741,215	1,683,135
	Advances from customers		527,137	736,766
	Workers' (Profit) Participation Fund - unsecured	8.1	49,463	16,824
	Payable to Gratuity Fund - unsecured	11	173,653	123,876
	Workers' Welfare Fund		949,096	770,975
	Unclaimed dividend		303,149	108,541
	Withholding tax payable		9,087	3,095
	Sales tax payable - net		–	229,428
	Other payables		209,083	293,261
			8,371,789	11,248,586

		Note	2013	2012
			(Rupees'000)	
8.1	Workers' (Profit) Participation Fund (WPPF)			
	Balance at beginning of the year		16,824	17,241
	Interest on funds utilised in the Company's business		218	921
	Allocation for the year	28	449,463	346,824
			466,505	364,986
	Payment to WPPF during the year		(417,042)	(348,162)
			49,463	16,824
9.	MARK - UP ACCRUED			
	On short term borrowings		236,052	280,606
			236,052	280,606
10.	SHORT TERM BORROWINGS - SECURED			
	From banking companies and financial institutions	10.1	7,985,128	9,216,660
			7,985,128	9,216,660

10.1 The Company 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 the Company. The purchase prices are repayable on various dates by the Company.

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11. GRATUITY FUND

The Company operates a defined benefit plan comprising a funded gratuity scheme for its permanent employees. The fund for gratuity is administered by trustees.

		2013	Restated 2012
		(Rupees'000)	
a)	The amount recognised in the balance sheet is as follows:		
	Present value of defined benefit obligation	466,617	373,646
	Fair value of plan assets	(292,964)	(249,770)
	Deficit	173,653	123,876
b)	The movement in the present value of defined benefit obligation is as follows:		
	Defined benefit obligation at beginning of the year	373,646	287,097
	Current service cost	44,130	43,762
	Interest cost	41,266	34,870
	Past service cost	(5,278)	–
	Benefits paid during the year	(29,620)	(16,276)
	Actuarial loss on obligation	42,473	24,193
	Present value of defined benefit obligation at end of the year	466,617	373,646
c)	The movement in fair value of plan assets is as follows:		
	Fair value of plan assets at beginning of the year	249,770	196,583
	Expected return on plan assets	27,020	23,556
	Contributions	42,596	34,417
	Benefits paid during the year	(29,620)	(16,276)
	Actuarial gain on plan assets	3,198	11,490
	Fair value of plan assets at end of the year	292,964	249,770
d)	Plan assets comprise of:		
	Investment in listed securities	49,698	43,446
	Investment in TFC	26,509	27,308
	Cash and bank balances	216,757	179,016
		292,964	249,770
e)	Actual return on plan assets	30,218	35,046
	Contributions expected to be paid to the plan during the next financial year	71,932	59,171

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

		2013	Restated 2012
g)	Movement in liability recognised in the balance sheet:		
	Opening liability	123,876	90,514
	Expense for the year	53,098	55,076
	Other comprehensive income	39,275	12,703
	Contributions	(42,596)	(34,417)
	Closing liability	173,653	123,876

		2013	Restated 2012
		(Rupees'000)	
h)	Amount recognised in the profit and loss account is as follows:		
	Current service cost	44,130	43,762
	Net interest	14,246	11,314
	Past service cost	(5,278)	–
		53,098	55,076
i)	The expense is recognised in the following line items in the profit and loss account:		
	Cost of sales	41,826	45,404
	Administrative expenses	11,272	9,672
		53,098	55,076

j) Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the last five years is as follows:

	2013	2012	2011	2010	2009
			(Rupees '000)		
Present value of defined benefit obligation	466,617	373,646	287,097	227,224	155,823
Fair value of plan assets	(292,964)	(249,770)	(196,583)	(143,278)	(106,539)
Deficit	173,653	123,876	90,514	83,946	49,284
Experience adjustments					
- on obligations - loss	42,473	24,193	2,799	36,132	3,609
- on plan assets - gain / (loss)	3,198	11,490	(3,090)	4,352	14,789

k) Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2013 are as follows:

	2013	2012
Discount rate	13.00%	11.50%
Expected rate of salary growth	13.00%	11.50%
Expected rate of return on plan assets	13.00%	11.50%
Mortality rate	SLIC-2001-2005	SLIC-2001-2005

l) Sensitivity analysis

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

	Defined benefit obligation	
	1 percent increase	1 percent decrease
Effect in millions of Rupees		
Discount rate	(49.41)	58.98
Salary increase rate	58.98	(49.41)

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As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the defined benefit obligation by Rs. 185 thousand.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2013 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

11.1 Effects of change in accounting policy - staff retirement benefits

The change in accounting policy as disclosed in note 3.1 has been accounted for retrospectively in accordance with International Accounting Standard - 8 "Accounting Policies, Changes in Accounting Estimates and Errors", resulting in adjustment of prior year financial statements.

Effects of retrospective application of change in accounting policy are as follows:

	As at December 31, 2013		
	As previously reported	Effect of Restatement (Rupees'000)	As Restated
11.1.1 Effect on Balance Sheet			
Increase in defined benefit obligation	51,301	72,575	123,876
Increase in provision for taxation	485,864	2,730	488,594
Net decrease in unappropriated profit	2,342,794	(75,305)	2,267,489

	For the year ended December 31, 2013	For the year ended December 31, 2012 (Rupees'000)	Prior to January 01, 2012
11.1.2 Effect on Profit and Loss account			
Net increase in profit before taxation	–	3,895	3,906
Net increase in tax expense	–	(1,363)	(1,367)
	–	2,532	2,539
11.1.3 Effect on Other Comprehensive Income			
Actuarial gain reclassified to other comprehensive income	–	–	(3,906)
Actuarial loss recognised in other comprehensive income	39,275	12,703	67,673
	39,275	12,703	63,767

The effect on earnings per share related to this restatement is as follows:

	December 31, 2012	December 31, 2011
Earnings per share - basic and diluted (Rupee)	0.003	0.003

11.1.4 Staff retirement benefits

Changes in defined benefit obligation, fair value of plan assets are as follows:

Description	January 01, 2012	Current service cost	Interest cost	Expected return on plan assets	Benefits paid	Actuarial losses recognized in other comprehensive income	Contribution by the employer	December 31, 2012
				(Rupees '000)				
Defined benefit obligation	287,097	43,762	34,870	–	(16,276)	24,193	–	373,646
Fair value of plan assets	(196,583)	–	–	(23,556)	16,276	(11,490)	(34,417)	(249,770)
Defined benefit liability	90,514	43,762	34,870	(23,556)	–	12,703	(34,417)	123,876

		2013	2012
		(Rupees '000)	
12.	**CONTINGENCIES AND COMMITMENTS**		
	Contingencies		
i)	Indemnity bonds and undertakings given to custom authorities for machinery imported by the Company for installation at plant site.	119,650	119,650
ii)	Guarantees issued by banks on behalf of the Company.	29,698	132,820
iii)	Company's share of contingent liabilities of Fauji Cement Company Limited as at September 30, 2013.	21,764	20,989
iv)	Company's share of contingent liabilities of Foundation Wind Energy - I Limited as at September 30, 2013.	69,619	4,375
v)	Company's share of contingent liabilities of Foundation Wind Energy - II (Pvt.) Limited as at September 30, 2013.	60,975	4,130
vi)	Company's share of contingent liabilities of Askari Bank Limited as at September 30, 2013.	35,378,051	–
	Commitments		
i)	Capital expenditure - contracted.	614,631	648,675
ii)	Letters of credit for purchase of raw material and stores and spares.	1,759,208	1,063,207
iii)	Commitments with Fauji Foundation for investment in wind projects.	3,022,155	3,983,365
iv)	Company's share of commitment for equity investment in Askari Bank Limited as at December 31, 2013.	–	5,000,000
v)	Company's share of commitments of Pakistan Maroc Phosphore S.A, Morocco as at September 30, 2013.	271,442	13,464

Notes to the Financial Statements
for the year ended December 31, 2013

13. FIXED ASSETS

	PROPERTY, PLANT AND EQUIPMENT												INTANGIBLES
	Leasehold land	Freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress (note 13.1)	Total	
	(Rupees '000)												(Rupees '000)
COST													
Balance as at January 01, 2012	213,350	120,000	1,654,830	22,340,178	7,356	248,044	60,971	148,820	2,086	174,597	1,555,623	26,525,855	108,205
Additions during the year	–	–	–	–	788	59,355	13,219	7,495	–	152,129	618,090	851,076	–
Disposals	–	–	–	–	–	(36,891)	–	(452)	–	–	–	(37,343)	–
Adjustments	–	–	–	(269,872)	–	33	341	155	–	–	(509)	(269,852)	–
Transfers	–	–	440,560	1,409,535	–	–	–	–	–	–	(1,850,095)	–	–
Balance as at December 31, 2012	213,350	120,000	2,095,390	23,479,841	8,144	270,541	74,531	156,018	2,086	326,726	323,109	27,069,736	108,205
Balance as at January 01, 2013	213,350	120,000	2,095,390	23,479,841	8,144	270,541	74,531	156,018	2,086	326,726	323,109	27,069,736	108,205
Additions during the year	41,404	–	–	–	–	53,391	12,685	14,201	–	23,862	473,526	619,069	–
Disposals	–	–	–	–	–	(30,237)	–	(217)	–	–	–	(30,454)	–
Adjustments	–	–	(15,825)	–	15,825	–	–	–	–	–	–	–	–
Transfers	–	–	7,779	223,527	–	–	–	–	–	–	(231,306)	–	–
Balance as at December 31, 2013	254,754	120,000	2,087,344	23,703,368	23,969	293,695	87,216	170,002	2,086	350,588	565,329	27,658,351	108,205
DEPRECIATION													
Balance as at January 01, 2012	78,474	–	531,061	11,132,937	2,137	131,129	22,192	89,521	1,676	126,559	–	12,115,686	61,806
Additions during the year	4,639	–	51,897	1,149,004	743	57,350	9,050	41,773	258	19,836	–	1,334,550	37,119
Disposals	–	–	–	–	–	(29,883)	–	(312)	–	–	–	(30,195)	–
Adjustments	–	–	–	(173,168)	–	–	–	21	–	–	–	(173,147)	–
Balance as at December 31, 2012	83,113	–	582,958	12,108,773	2,880	158,596	31,242	131,003	1,934	146,395	–	13,246,894	98,925
Balance as at January 01, 2013	83,113	–	582,958	12,108,773	2,880	158,596	31,242	131,003	1,934	146,395	–	13,246,894	98,925
Additions during the year	5,660	–	62,669	1,169,636	1,967	52,299	11,629	19,679	106	53,866	–	1,377,511	9,280
Disposals	–	–	–	–	–	(25,424)	–	(139)	–	–	–	(25,563)	–
Adjustments	–	–	(197)	–	197	–	–	–	–	–	–	–	–
Balance as at December 31, 2013	88,773	–	645,430	13,278,409	5,044	185,471	42,871	150,543	2,040	200,261	–	14,598,842	108,205
Written down value – 2012	130,237	120,000	1,512,432	11,371,068	5,264	111,945	43,289	25,015	152	180,331	323,109	13,822,842	9,280
Written down value – 2013	165,981	120,000	1,441,914	10,424,959	18,925	108,224	44,345	19,459	46	150,327	565,329	13,059,509	–
Rate of depreciation	2 to 4%	–	3%	5%	10%	20% to 33%	15%	33% to 50%	30%	17% to 50%	–		33%

		Note	2013	2012
			(Rupees'000)	
13.1	Capital work in progress			
	This is made up as follows:			
	Plant and machinery including advances to suppliers		183,612	139,486
	Civil works		381,717	183,623
			565,329	323,109
13.2	Depreciation and amortization charge has been allocated as follows:			
	Cost of sales	24	1,360,967	1,349,806
	Administrative expenses	26	25,824	21,863
			1,386,791	1,371,669

			Cost	Book value	Sale proceeds
				(Rupees '000)	
13.3	Details of property, plant and equipment sold:				
	Vehicles				
	As per Company policy to employees				
	Maj. Saleem Hassan Mahesar (Retd)		1,306	73	129
	Maj. Syed Muhammad Naveed (Retd)		1,255	105	484
	Mr. Ansar Yaqoob		1,284	374	598
	Mr. Faisal Amir		1,407	88	208
	Mr. Ibrahim Dorego		1,255	79	186
	Mr. Kashif Ali		1,253	78	484
	Mr. Akhtar Ali		1,255	105	484
	Syed Muhammad Abbas Rizvi		1,275	213	470
	Mr. Muhammad Saleem Sheikh		1,286	107	524
	Through public auction				
	Mr. Sultan Jan Niazi		1,425	154	1,101
	Insurance claim		4,306	1,596	3,800
	Aggregate of items of property, plant and equipment with individual book value below Rs. 50,000		13,147	1,919	9,248
		2013	30,454	4,891	17,716
		2012	37,343	7,148	10,757

Notes to the Financial Statements
for the year ended December 31, 2013

	Note	2013	2012
		(Rupees'000)	
14. LONG TERM INVESTMENTS			
Investment in joint venture - equity method			
Pakistan Maroc Phosphore S.A, Morocco (PMP)	14.1		
Balance brought forward		2,225,794	2,155,216
Share of (loss) / profit		(205,972)	42,446
Gain during the year on translation of net assets	14.1.2	326,903	28,132
Closing balance		2,346,725	2,225,794
Investment in associates - equity method			
Fauji Cement Company Limited (FCCL)	14.2		
Balance brought forward		351,588	342,866
Share of profit		30,162	8,722
Dividend		(23,437)	–
Closing balance		358,313	351,588
Foundation Wind Energy - I Limited (FWE-I)	14.3		
Opening balance		329,390	119,409
Advance paid during the year against issue of shares		603,664	233,664
Share of loss		(9,113)	(23,683)
Closing balance		923,941	329,390
Foundation Wind Energy - II (Pvt) Limited (FWE-II)	14.3		
Opening balance		620,290	93,346
Advance paid during the year against issue of shares		357,546	547,686
Share of loss		(6,736)	(20,742)
Closing balance		971,100	620,290
Askari Bank Limited (AKBL)	14.4		
Investment during the period		5,230,990	–
Share of profit		28,302	–
Effect of translation		2,762	–
Closing balance		5,262,054	–
Investment in subsidiaries			
Advance paid against issue of shares – Fauji Meat Limited (FML)		1,000	–
Advance paid against issue of shares – Fauji Foods Limited (FFL)		1,000	–
		2,000	–
Investment – available for sale – unquoted			
Arabian Sea Country Club Limited (ASCCL)	14.5		
300,000 ordinary shares of Rs. 10 each		3,000	3,000
Less: Impairment in value of investment		3,000	3,000
		–	–
		9,864,133	3,527,062

14.1 Cost of this investment is Moroccan Dirhams 200,000 thousand which represents 25% interest in Pakistan Maroc Phosphore S.A. Morocco (PMP), a joint venture between the Company, Fauji Foundation, Fauji Fertilizer Company Limited and Officie Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the shareholders' agreement, if any legal restriction are laid on dividends by Pakistan Maroc Phosphore S.A., the Company's equity will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

14.1.1 Summary of financial information for equity accounted investees as per their financial statements, not adjusted for the percentage ownership of the Company.

	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)	
	(Rupees in '000)							
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)
(Loss) / profit 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.

14.1.2 This represents Company's share of translation reserve of PMP. This has arisen due to movement in exchange rate parity between the Moroccan Dirham and Pak Rupee.

14.2 Fair value of investment in FCCL as at December 31, 2013 was Rs. 299,063 thousand (2012: Rs. 122,625 thousand). The management, however believes that the recoverable amount of this investment is higher than the fair value as at December 31, 2013. The Company holds 1.36% interest in FCCL which is less than 20%, however it is concluded that the Company has significant influence due to its representation on the Board of Directors of FCCL.

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

14.3 Foundation Wind Energy - I Limited (FWE - I) and Foundation Wind Energy - II (Pvt.) Limited (FWE - II) are in a process of setting up 49.5 MW wind power plant each. Total estimated cost for FWE - I and FWE - II is US $ 136 million and US $ 135 million respectively. Pursuant to Share Holders Agreement dated 08 March 2011 the Company will eventually hold 35% shareholding in FWE - I and FWE - II. The projects are expected to commence commercial production in 2014.

14.4 This represents 21.57% share in the equity of AKBL (271,884 thousand shares of Rs. 10 each).

Summarized financial statements of the associated company is as follows:

	Assets	Liabilities	Loss before tax	Loss after tax
2013 (Rupees, million)	356,219	337,513	(6,047)	(3,849)
2012 (Rupees, million)	–	–	–	–

Market value of investment in AKBL as at December 31, 2013 was Rs. 3,806,376 thousand (2012: Nil). The management, however believes that the recoverable amount of this investment is higher than the fair value as at December 31, 2013.

Notes to the Financial Statements
for the year ended December 31, 2013

The reporting date of Askari Bank Limited is December 31st. For the purpose of applying equity method accounting, assets, liabilities and profit and loss account are based on the un-audited consolidated condensed interim financial statements of the period ended September 30, 2013.

14.5 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).

		2013	2012
		(Rupees'000)	
15.	STORES AND SPARES		
	Stores	347,310	337,421
	Spares	1,925,733	1,839,611
	Provision for obsolescence	(165,550)	(165,550)
		2,107,493	2,011,482
16.	STOCK IN TRADE		
	Packing materials	62,443	78,638
	Raw materials	138,592	1,873,857
	Raw materials in transit	353,690	916,197
	Work in process	26,936	13,615
	Finished goods	547,596	1,993,998
		1,129,257	4,876,305
17.	TRADE DEBTS		
	Secured - considered good	1,603,643	2,469,075
		1,603,643	2,469,075
18.	ADVANCES		
	Advances to:		
	- Executives, unsecured considered good	840	1,421
	- Other employees, unsecured considered good	57,553	65,290
	Advances to suppliers and contractors		
	- Considered good	514,573	381,352
	- Considered doubtful	–	45
		514,573	381,397
	Provision for doubtful advances	–	(45)
		514,573	381,352
		572,966	448,063
19.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
	Security deposits	4,362	2,222
	Prepayments	25,515	21,419
		29,877	23,641

		Note	2013	2012
			(Rupees'000)	
20.	OTHER RECEIVABLES			
	Due from the holding company - unsecured, considered good	20.1	572,623	2,969,967
	Other receivables			
	- Considered good		132,890	24,841
	- Considered doubtful		–	53,482
			132,890	78,323
	Provision for doubtful receivables		–	(53,482)
			132,890	24,841
			705,513	2,994,808

20.1 This interest free balance represents amount recovered by the holding company from customers on sale of the Company's products under inter company services agreement.

		Note	2013	2012
			(Rupees'000)	
21.	SHORT TERM INVESTMENTS			
	Loans and receivables			
	Term deposits with banks and financial institutions		1,200,000	1,550,000
	Investments at fair value through profit or loss - held for trading			
	Money market funds		4,123,136	–
			5,323,136	1,550,000
22.	CASH AND BANK BALANCES			
	Deposit accounts - in local currency	22.1	2,139,349	8,652,271
	- in foreign currency		2,055	1,888
			2,141,404	8,654,159
	Current accounts		335,582	134,278
	Cash in hand		547	530
			2,477,533	8,788,967

22.1 This includes Rs. 241,163 thousand (2012: Rs. 210,560 thousand) held under lien by the commercial banks against various facilities.

		Note	2013	2012
			(Rupees'000)	
23.	SALES			
	Gross Sales		63,651,722	55,835,454
	Less:			
	Sales tax		9,176,575	7,701,485
	Trade discounts		–	205,000
	Commission to the holding company	23.1	19,979	17,805
			9,196,554	7,924,290
			54,455,168	47,911,164

23.1 Commission is paid @ Re. 1 per bag sold by the holding company, based on inter company services agreement.

Notes to the Financial Statements
for the year ended December 31, 2013

		Note	2013	2012
			(Rupees'000)	
24.	COST OF SALES			
	Raw materials consumed		30,780,637	30,949,410
	Packing materials consumed		581,779	513,720
	Fuel and power		2,482,308	2,273,585
	Chemicals and supplies consumed		273,580	159,522
	Salaries, wages and benefits	24.1	1,720,439	1,504,639
	Rent, rates and taxes		23,315	16,672
	Insurance		101,317	101,265
	Travel and conveyance		148,881	158,969
	Repairs and maintenance		889,883	944,606
	Communication, establishment and other expenses		146,477	107,287
	Depreciation	13.2	1,360,967	1,349,806
	Opening stock - work in process		13,615	40,956
	Closing stock - work in process		(26,936)	(13,615)
	Cost of goods manufactured		38,496,262	38,106,822
	Opening stock - finished goods		1,993,998	337,218
	Closing stock - finished goods		(547,596)	(1,993,998)
	Cost of sales		39,942,664	36,450,042

24.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 41,826 thousand, Rs. 36,156 thousand and Rs. 116,353 thousand respectively. (2012: Rs. 45,404 thousand, Rs. 31,249 thousand and Rs. 4,354 thousand respectively).

		Note	2013	2012
			(Rupees'000)	
25.	SELLING AND DISTRIBUTION EXPENSES			
	Product transportation		2,572,092	2,063,609
	Expenses charged by the holding company	25.1		
	Salaries, wages and benefits		603,359	408,843
	Rent, rates and taxes		59,729	45,971
	Technical services		5,645	3,565
	Travel and conveyance		80,343	59,611
	Sales promotion and advertisement		33,424	20,091
	Communication, establishment and other expenses		63,252	44,900
	Warehousing expenses		22,326	13,165
	Depreciation		12,369	5,970
			880,447	602,116
			3,452,539	2,665,725

25.1 This represents common expenses charged by the holding company on account of marketing of the Company's products based on an inter company services agreement.

		Note	2013	Restated 2012
			(Rupees'000)	
26.	ADMINISTRATIVE EXPENSES			
	Salaries, wages and benefits	26.1	656,717	495,772
	Travel and conveyance		182,578	164,167
	Utilities		7,812	6,271
	Printing and stationery		9,605	7,650
	Repairs and maintenance		9,522	12,933
	Communication, advertisement and other expenses		22,025	31,520
	Rent, rates and taxes		15,207	10,419
	Listing fee		1,364	1,133
	Donations	26.2	47,000	95,213
	Legal and professional		33,404	86,981
	Depreciation	13.2	25,824	21,863
	Miscellaneous		36,979	46,196
			1,048,037	980,118

26.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 11,272 thousand, Rs. 13,113 thousand and Rs. 37,881 thousand respectively (2012: Rs. 13,567 thousand, Rs. 10,825 thousand and Rs. 2,928 thousand respectively).

26.2 During the year, the Company has not paid donation to any organization in which any director or his spouse has interest. Last year the Company had paid donation to the project of Fauji Foundation (FF).

Particulars of project	Address	(Rupees '000)	
Fauji Foundation	Tipu Road Rawalpindi	10,000	–
Shaukat Omer Memorial Hospital	Shah Faisal Colony, Karachi	–	50,000

The interest of the following Directors of the Company constitutes by way of being management staff of FF:

Lt Gen Muhammad Mustafa Khan HI(M) (Retd)
Maj Gen Ghulam Haider HI(M) (Retd)
Brig Parvez Sarwar Khan, SI(M) (Retd)
Brig Dr Gulfam Alam, SI(M) (Retd)
Brig Muhammad Saeed Khan (Retd)
Dr Nadeem Inayat
Mr Qaiser Javed

		2013	2012
		(Rupees'000)	
27.	FINANCE COST		
	Mark-up on short term borrowings	1,112,322	1,369,457
	Interest on Workers' (Profit) Participation Fund	218	921
	Bank charges	26,412	15,878
	Exchange loss	375,979	435,215
		1,514,931	1,821,471

Notes to the Financial Statements

for the year ended December 31, 2013

		Note	2013	2012
			(Rupees'000)	
28.	OTHER OPERATING EXPENSES			
	Workers' (Profit) Participation Fund	8.1	449,463	346,824
	Workers' Welfare Fund		178,121	120,231
	Property, plant and equipment written off		–	96,704
	Auditor's remuneration			
	Fees - annual audit		1,000	1,000
	Fees - half yearly review		100	100
	Other certification & services		600	195
	Out of pocket expenses		115	185
			1,815	1,480
			629,399	565,239
29.	OTHER INCOME			
	Income from financial assets			
	Profit on bank balances and term deposits		401,521	357,959
	Dividend on investment in money market funds		224,738	495,280
	Gain / (loss) on sale of investments		6,223	(4,997)
			632,482	848,242
	Income from assets other than financial assets			
	Scrap sales and miscellaneous receipts		12,124	186,159
	Gain on sale of property, plant and equipment		12,825	3,609
			657,431	1,038,010

		2013	Restated 2012
		(Rupees'000)	
30.	TAXATION		
	Current	3,091,587	2,094,247
	Deferred	(342,925)	38,395
		2,748,662	2,132,642

		2013		Restated 2012	
		(Rupees '000)	%	(Rupees '000)	%
30.1	Reconciliation of tax charge for the year:				
	Profit before tax	8,361,673		6,473,322	
	Tax on profit	2,842,969	34.00	2,265,662	35.00
	Tax effect of lower rate on certain income / expenses	(90,826)	(1.09)	8,926	0.14
	Tax effect of exempt income / permanent differences	(3,481)	(0.04)	(141,946)	(2.19)
		2,748,662	32.87	2,132,642	32.95

		2013	Restated 2012
31.	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit after taxation (Rupees '000)	5,613,011	4,340,680
	Weighted average number of ordinary shares in issue during the year (thousands)	934,110	934,110
	Earnings per share - basic and diluted (Rupees)	6.01	4.65

There is no dilutive effect on the basic earnings per share of the Company for the year 2013.

		Note	2013 (Rupees'000)	Restated 2012 (Rupees'000)
32.	CASH GENERATED FROM OPERATIONS			
	Profit before taxation		8,361,673	6,473,322
	Adjustments for:			
	Provision for gratuity		53,098	58,971
	Exchange losses		375,979	435,215
	Provision for compensated absences		154,234	7,282
	Provision for Workers' (Profit) Participation Fund	8.1	449,463	346,824
	Provision for Workers' Welfare Fund		178,121	120,231
	Property, plant and equipment written off		–	96,704
	Depreciation	13.2	1,386,791	1,371,669
	Finance cost		1,138,952	1,386,256
	Gain on investments including dividend received		(230,961)	(490,283)
	Share of loss / (profit) of joint venture and associates		163,356	(6,743)
	Profit on bank balances and term deposits		(401,521)	(357,959)
	Gain on sale of property, plant and equipment		(12,825)	(3,609)
	Operating profit before working capital changes		11,616,360	9,437,880
	Changes in working capital			
	Stores and spares		(96,011)	(105,744)
	Stock in trade		3,747,048	(1,469,312)
	Trade debts		865,432	(1,822,559)
	Advances		(124,903)	(8,013)
	Trade deposits and short term prepayments		(6,236)	(10,721)
	Other receivables		2,289,295	(814,576)
	Sales tax		(124,234)	–
	Trade and other payables		(3,707,921)	207,100
			2,842,470	(4,023,825)
			14,458,830	5,414,055

Notes to the Financial Statements

for the year ended December 31, 2013

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration including benefits applicable to the Chief Executive and Executives of the Company are given below:

	2013		2012	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	12,004	92,016	10,267	81,845
Bonus	6,923	69,178	2,278	64,174
Contributory Provident Fund	632	4,391	550	3,889
Others	6,767	48,748	7,403	31,924
	26,326	214,333	20,498	181,832
No. of person (s)	1	19	1	21

The above are provided with medical facilities. Chief Executive and certain executives are also provided with the vehicles and other benefits in accordance with the Company's policy. Gratuity is payable to the Chief Executive in accordance with the terms of employment while contribution for executives in respect of gratuity is on the basis of actuarial valuation. Leave encashment was paid to executives amounting to Rs. 7,172 thousand (2012: Rs. 12,390 thousand) on separation in accordance with the Company's policy.

In addition, the other Directors of the Company are paid meeting fee aggregating Rs. 6,825 thousand (2012: Rs. 5,330 thousand). No remuneration was paid to Directors of the Company; (2012: Nil). The number of Directors of the Company was 12 (2012: 12).

34. FINANCIAL INSTRUMENTS

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

– Credit risk
– Liquidity risk
– Market risk

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

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

34.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade debts, deposits, advances, interest accrued, short term investments, other receivables and bank balances. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2013	2012
	(Rupees'000)	
Trade debts	1,603,643	2,469,075
Deposits	83,005	78,534
Interest accrued	19,729	39,317
Other receivables - net of provision	705,513	2,994,808
Short term investments	5,323,136	1,550,000
Bank balances	2,476,986	8,788,437
	10,212,012	15,920,171

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 holding company which amounts to Rs. 572,623 thousand (2012: Rs. 2,969,967 thousands) and which is included in total carrying amount of other receivables as at reporting date. At the balance sheet date this receivable is not overdue or impaired.

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

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

Impairment losses

As at the reporting date trade receivables of Rs. Nil (2012: Rs Nil) were over-due. 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. 3,000 thousand (2012: Rs. 3,000 thousand) in respect of its investment in available-for-sale investments.

34.2 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 management uses different methods which assists it in monitoring cash flow requirements and optimizing the return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains lines of credit as mentioned in note 10 to the financial statements.

Notes to the Financial Statements

for the year ended December 31, 2013

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 loan	2,592,801	2,592,801	2,008,682	–	584,119	–	–
Trade and other payables	7,835,565	7,835,565	7,835,565	–	–	–	–
Short term borrowings including mark–up	8,221,180	8,221,180	8,221,180	–	–	–	–
	18,649,546	18,649,546	18,065,427	–	584,119	–	–

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)			
Long term loan	3,241,002	3,241,002	2,008,682	–	648,201	584,119	–
Trade and other payables	10,206,722	10,206,722	10,206,722	–	–	–	–
Short term borrowings including mark–up	9,497,266	9,497,266	9,497,266	–	–	–	–
	22,944,990	22,944,990	21,712,670	–	648,201	584,119	–

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

34.2.1 The contractual cash flow relating to short term borrowings have been determined on the basis of expected mark-up rates. The mark-up rates have been disclosed in note 10.1 to these financial statements.

34.3 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 currency and interest rate risk only.

34.3.1 Currency risk

Exposure to Currency Risk

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

	2013		2012	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balances	2,055	19	1,888	19
Creditors	(3,347,101)	(31,651)	(5,501,963)	(56,546)
Net exposure	(3,345,046)	(31,632)	(5,500,075)	(56,527)

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate (Bid-Offer average)	
	2013	2012	2013	2012
US Dollars	101.99	93.68	105.75	97.30

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs. 334,505 thousand (2012 : Rs. 550,007 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

34.3.2 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 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 (Rupees'000)	Carrying Amount 2012 (Rupees'000)
Fixed rate instruments		
Financial assets	1,200,000	1,550,000
Financial liabilities	7,350,000	3,595,000
Variable rate instruments		
Financial assets	2,141,404	8,654,159
Financial liabilities	635,128	5,621,660

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to interest rate risk on its fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss 100 basis points increase (Rupees'000)	Profit or loss 100 basis points decrease (Rupees'000)
December 31, 2013		
Cash flow sensitivity-Variable rate instruments	5,894	5,894
	5,894	5,894
December 31, 2012		
Cash flow sensitivity-Variable rate instruments	16,886	16,886
	16,886	16,886

Market price risk

For investments at fair value through profit or loss, a 1% increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 41,231 (2012: Nil).

Notes to the Financial Statements
for the year ended December 31, 2013

34.4 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)			
Assets carried at amortized cost					
Trade debts	17	1,603,643	1,603,643	2,469,075	2,469,075
Deposits		83,005	83,005	78,534	78,534
Interest accrued		19,729	19,729	39,317	39,317
Other receivables - net of provision	20	705,513	705,513	2,994,808	2,994,808
Short term investments - loans and receivables	21	1,200,000	1,200,000	1,550,000	1,550,000
Cash and bank balances	22	2,477,533	2,477,533	8,788,967	8,788,967
		6,089,423	6,089,423	15,920,701	15,920,701
Assets carried at fair value					
Short term investments - Investments at fair value through profit or loss	21	4,123,136	4,123,136	–	–
Liabilities carried at amortized cost					
Long term loan	6	2,592,801	2,592,801	3,241,002	3,241,002
Trade and other payables	8	7,835,565	7,835,565	10,206,722	10,206,722
Short term borrowings including mark-up	10	8,221,180	8,221,180	9,497,266	9,497,266
		18,649,546	18,649,546	22,944,990	22,944,990

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. The interest rate used to determine fair value of GoP loan is 10.80% (2012: 13.07%). Since deferred Government assistance is included with long term loan, there is no difference in the carrying amount of the loan and its fair value.

Fair value hierarchy

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

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

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

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

	Level 1	Level 2 (Rupees '000)	Level 3
December 31, 2013			
Assets carried at fair value			
Short term investments - investment in mutual funds	4,123,136	–	–
December 31, 2012			
Assets carried at fair value			
Short term investments – investment in mutual funds	–	–	–

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

34.5 Determination of fair values

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

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

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

Investment in associates

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

Non - derivative financial assets

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

Non - derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes.

34.6 Capital management

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

Notes to the Financial Statements
for the year ended December 31, 2013

35. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Fauji Fertilizer Company Limited (FFCL) with 50.88 % holding (2012: 50.88%). FFCL is sponsored by Fauji Foundation (FF) which holds 17.29 % shares (2012: 17.29 %) in the Company. Therefore all subsidiaries and associated undertakings of FF and FFCL are related parties of the Company. The Company has related parties which comprise of entities under common directorship, directors, key management personnel and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. The carrying value of investment in associates and joint venture are disclosed in note 14 to the financial statements.

	2013	Restated 2012
	(Rupees'000)	
Transactions with the holding company		
Services and material acquired	890,708	605,544
Services and material provided	10,889	1,239
Collections	66,026,408	52,718,382
Commission charged to the Company	19,979	17,805
Dividend paid - net	2,376,165	2,459,331
Balance receivable at the year end - unsecured	572,623	2,969,967
Transactions with associated undertakings due to common directorship		
Rent charged to the Company	1,240	1,166
Dividend paid - net	807,506	835,769
Investment in Wind Power Projects	961,210	781,350
Investment in Askari Bank Limited (AKBL)	5,230,990	–
Transactions with joint venture company		
Purchase of raw materials	23,168,097	25,588,487
Expenses incurred on behalf of joint venture company	14,933	35,040
Balance payable at the year end - secured (included in note 8)	3,370,005	5,758,636
Balance receivable at the year end - unsecured (included in note 20)	19,989	22,733
Other related parties		
Contribution to Provident Fund	49,269	42,074
Payment to Gratuity Fund	42,596	34,417
Payment to Workers' (Profit) Participation Fund	417,042	348,162
Balance payable at the year end - unsecured	998,559	787,799
Payable to Gratuity Fund	173,653	123,876
Remuneration of key management personnel	33,151	25,828

	2013	Restated 2012
	(Rupees'000)	
36. EMPLOYEES PROVIDENT FUND TRUST		
Size of the Fund	998,765	833,772
Cost of investments made	860,401	728,326
Fair value of investments	952,998	806,151
Percentage of investments made	95.42%	96.69%

36.1 Breakup of investments is as follows:

	2013		2012	
	(Rupees '000)	(%)	(Rupees '000)	(%)
Term Finance Certificates	–	–	24,985	3.43
Shares	193,797	22.52	119,897	16.46
Mutual Funds	50,095	5.82	3	0.00
Bank Deposits	616,509	71.65	583,441	80.11
	860,401	100.00	728,326	100.00

All the investments out of provident fund trust have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

37. GENERAL

	2013	2012
	(Tonnes)	
37.1 Production capacity		
Design capacity		
Urea	551,100	551,100
DAP	650,000	650,000
Actual production		
Urea	224,477	281,068
DAP	744,436	648,038
The shortfall in production of Urea was mainly due to non-availability of gas during the year.		
37.2 Number of persons employed		
Empolyees on year end (number)	1,175	1,090
Average employees during year (number)	1,109	1,133

37.3 The Board of Directors in their meeting held on January 27, 2014 have proposed a final dividend of Rs. 2.25 per ordinary share.

37.4 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on January 27, 2014.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

Pattern of Shareholding

as at December 31, 2013

Pattern of Shareholding		Number of Shares
1.	Associated Companies, Undertaking and Related Parties	
	Fauji Fertilizer Company Ltd	475,232,996
	Fauji Foundation	161,501,286
	No other associated undertaking held any investment in FFBL except as mentioned above	
2.	NIT and ICP	
	National Bank of Pakistan Trustee Deptt	2,283,396
	IDBP (ICP UNIT)	500
	CDC - Trustee NIT-Equity Market Opportunity Fund	1,080,689
3.	Directors, CEO and their spouse and minor children	
	Lt Gen Muhammad Mustafa Khan, HI(M), (Retd)	1
	Lt Gen Muhammad Zaki, HI, HI(M), (Retd)	1
	Lt Gen Naeem Khalid Lodhi, HI(M), (Retd)	1
	Mr Qaiser Javed	1
	Dr Nadeem Inayat	1
	Maj Gen Ghulam Haider, HI(M), (Retd)	1
	Brig Parvez Sarwar Khan, SI(M), (Retd)	1
	Brig Dr Gulfam Alam, SI(M), (Retd)	1
	Brig Muhammad Saeed Khan, (Retd)	1
	Mr Naved A. Khan	500
	Mr Nasier A. Sheikh	3500
	Dr Rashid Bajwa	500
4.	Company Executives	74,303
5.	Public Sector Companies and Corporations	NIL
6.	Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	86,392,556
7.	Shareholders holding ten percent or more voting interest	
	Fauji Fertilizer Company Ltd	475,232,996
	Fauji Foundation	161,501,286

8. Trade in shares of the Company by Directors, CEO, CFO, Company Secretary and their spouses and minor children

Name	Designation	Date	Previous Holding	Sale	Rate Rs/Share	Holding as at 31 Dec 2013
Lt Gen Muhammad Zaki HI, HI(M), (Retd)	CE & MD	16-Jul-2013	10001	9500	42.85	1
		16-Jul-2013	501	500	42.86	

Pattern of Shareholding
as at December 31, 2013

Number of Shareholders	Shareholdings			Number of Shares Held
	From		To	
978	1	-	100	51,131
3,812	101	-	500	1,710,667
2,606	501	-	1,000	2,135,168
3,769	1,001	-	5,000	10,634,125
1,247	5,001	-	10,000	9,865,205
537	10,001	-	15,000	6,878,375
300	15,001	-	20,000	5,476,203
216	20,001	-	25,000	5,065,995
134	25,001	-	30,000	3,818,589
90	30,001	-	35,000	2,979,498
108	35,001	-	40,000	4,184,209
49	40,001	-	45,000	2,097,773
112	45,001	-	50,000	5,493,100
53	50,001	-	55,000	2,817,743
43	55,001	-	60,000	2,534,580
39	60,001	-	65,000	2,472,133
30	65,001	-	70,000	2,048,614
20	70,001	-	75,000	1,489,707
24	75,001	-	80,000	1,880,537
21	80,001	-	85,000	1,743,533
16	85,001	-	90,000	1,427,037
12	90,001	-	95,000	1,107,520
49	95,001	-	100,000	4,872,723
11	100,001	-	105,000	1,131,001
10	105,001	-	110,000	1,085,188
8	110,001	-	115,000	913,080
9	115,001	-	120,000	1,065,500
6	120,001	-	125,000	743,501
6	125,001	-	130,000	775,751
3	130,001	-	135,000	403,794
4	135,001	-	140,000	554,821
5	140,001	-	145,000	717,850
14	145,001	-	150,000	2,084,148
9	150,001	-	155,000	1,381,734
3	155,001	-	160,000	478,000
4	160,001	-	165,000	652,912
5	165,001	-	170,000	837,500
2	170,001	-	175,000	350,000
3	175,001	-	180,000	538,309
4	180,001	-	185,000	734,400
2	185,001	-	190,000	374,000
2	190,001	-	195,000	386,152
16	195,001	-	200,000	3,200,000
2	200,001	-	205,000	408,673
1	205,001	-	210,000	208,500
1	210,001	-	215,000	212,450

Pattern of Shareholding
as at December 31, 2013

Number of Shareholders	Shareholdings From		Shareholdings To	Number of Shares Held
2	215,001	-	220,000	434,500
2	220,001	-	225,000	443,500
1	225,001	-	230,000	229,500
3	245,001	-	250,000	750,000
2	250,001	-	255,000	503,176
1	255,001	-	260,000	257,000
2	260,001	-	265,000	530,000
2	265,001	-	270,000	535,615
4	270,001	-	275,000	1,100,000
2	275,001	-	280,000	557,377
1	285,001	-	290,000	290,000
2	295,001	-	300,000	600,000
1	300,001	-	305,000	301,080
2	310,001	-	315,000	624,500
2	315,001	-	320,000	636,000
1	320,001	-	325,000	324,000
3	330,001	-	335,000	998,119
4	335,001	-	340,000	1,352,304
1	340,001	-	345,000	342,000
4	345,001	-	350,000	1,398,500
3	350,001	-	355,000	1,061,000
1	365,001	-	370,000	368,000
1	370,001	-	375,000	372,570
1	375,001	-	380,000	380,000
2	380,001	-	385,000	767,000
7	395,001	-	400,000	2,797,120
2	410,001	-	415,000	825,500
1	425,001	-	430,000	429,000
2	440,001	-	445,000	888,733
2	445,001	-	450,000	895,300
1	455,001	-	460,000	460,000
3	485,001	-	490,000	1,464,500
1	490,001	-	495,000	491,685
5	495,001	-	500,000	2,496,011
1	500,001	-	505,000	503,951
1	545,001	-	550,000	550,000
1	580,001	-	585,000	584,020
1	610,001	-	615,000	613,500
1	625,001	-	630,000	628,500
1	645,001	-	650,000	648,000
2	665,001	-	670,000	1,338,419
1	670,001	-	675,000	675,000
1	680,001	-	685,000	683,435
1	695,001	-	700,000	700,000
2	720,001	-	725,000	1,448,000
1	735,001	-	740,000	737,500

Pattern of Shareholding
as at December 31, 2013

Number of Shareholders	Shareholdings From		Shareholdings To	Number of Shares Held
1	745,001	-	750,000	750,000
1	755,001	-	760,000	757,500
1	795,001	-	800,000	800,000
1	820,001	-	825,000	825,000
1	825,001	-	830,000	826,400
1	840,001	-	845,000	841,000
1	875,001	-	880,000	876,000
1	915,001	-	920,000	915,500
1	965,001	-	970,000	966,000
1	980,001	-	985,000	984,500
1	1,020,001	-	1,025,000	1,022,500
1	1,080,001	-	1,085,000	1,080,689
1	1,155,001	-	1,160,000	1,156,500
1	1,165,001	-	1,170,000	1,170,000
1	1,180,001	-	1,185,000	1,184,000
1	1,210,001	-	1,215,000	1,210,635
1	1,215,001	-	1,220,000	1,218,200
1	1,295,001	-	1,300,000	1,300,000
1	1,345,001	-	1,350,000	1,350,000
1	1,395,001	-	1,400,000	1,400,000
1	1,420,001	-	1,425,000	1,425,000
1	1,470,001	-	1,475,000	1,475,000
1	1,500,001	-	1,505,000	1,500,500
2	1,595,001	-	1,600,000	3,198,899
1	1,625,001	-	1,630,000	1,626,500
1	1,765,001	-	1,770,000	1,769,474
1	1,935,001	-	1,940,000	1,936,906
1	1,990,001	-	1,995,000	1,994,775
1	2,000,001	-	2,005,000	2,000,700
1	2,300,001	-	2,305,000	2,302,553
1	2,590,001	-	2,595,000	2,590,749
1	2,645,001	-	2,650,000	2,650,000
1	2,795,001	-	2,800,000	2,798,173
2	2,895,001	-	2,900,000	5,794,078
1	3,150,001	-	3,155,000	3,154,500
1	3,375,001	-	3,380,000	3,378,527
1	3,830,001	-	3,835,000	3,835,000
1	3,855,001	-	3,860,000	3,855,500
1	5,915,001	-	5,920,000	5,916,080
1	7,280,001	-	7,285,000	7,283,487
1	11,435,001	-	11,440,000	11,436,764
1	22,980,001	-	22,985,000	22,982,785
1	44,795,001	-	44,800,000	44,800,000
1	161,500,001	-	161,505,000	161,501,286
1	475,230,001	-	475,235,000	475,232,996
14530				934,110,000

Category wise Shareholding
as at December 31, 2013

Sr No	Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individual	14,189	132,260,336	14.16
2	Charitable Trusts	26	171,077,437	18.31
3	Cooperative Societies	4	24,304	0.00
4	Financial Institutions	21	65,007,622	6.96
5	Insurance Companies	12	9,739,769	1.04
6	Investment Companies	7	438,106	0.05
7	Joint Stock Companies	140	484,511,981	51.87
8	Modaraba Management Companies	2	67,300	0.01
9	Modarabas	9	640,000	0.07
10	Mutual Funds	32	10,567,059	1.13
11	Non-Residents	39	14,731,991	1.58
12	Others	49	45,044,095	4.82
	TOTAL	14,530	934,110,000	100.00

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 27, 2014
First Quarter ending March 31, 2014	Last week of April 2014
Second Quarter ending June 30, 2014	Last week of July 2014
Third Quarter ending September 30, 2014	Last week of October 2014
Year ending December 31, 2014	Last week of January 2015

Form of Proxy
20th Annual General Meeting

The Company Secretary
Fauji Fertilizer Bin Qasim Limited
73-Harley Street, Rawalpindi

I/We ______________________________ of ______________
______________________________ being a member(s) of
Fauji Fertilizer Bin Qasim 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 on my /our behalf at the 20th Annual General Meeting of the Company to be held on 27th March 2014 and / or any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this ______________
day of ______________ 2014 in the presence of ______________

Folio	CDC Account No.	
	Participant ID	Sub Account Number

Signature on
Five Rupees
Revenue Stamp

This signature should agree with the
specimen registered with the Company

Important

1. This Proxy Form, duly completed and signed, must be deposited at the registered office of the Company, 73-Harley Street, Rawalpindi not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxies 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, following requirements have to be met:

i. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
ii. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
iii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted to the Company along with proxy form.

AFFIX
CORRECT
POSTAGE

The Company Secretary
Fauji Fertilizer Bin Qasim Limited
73-Harley Street, Rawalpindi

Glossary

Assets
Asset is a resource controlled by an enterprise as a result of past events, from which future economic benefits are expected to flow to the enterprise.

Associate Company
Associate company is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

Borrowing Costs
Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds.

Cash Equivalents
Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flows
Cash flows are inflows and outflows of cash and cash equivalents.

Depreciation
Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair Value
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instrument
Financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financing Activities
Financing activities are activities that result in changes in the size and composition of the equity capital and borrowings of the enterprise.

Intangible Asset
Intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Investing Activities
Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Joint Venture
Joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Liability
A liability is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

Operating Activities
Operating activities are the principal revenue producing activities of the enterprise and other activities that are not investing or financing activities.

Parent Company
A parent is an enterprise that has one or more subsidiaries.

Related Party
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or the other party in making financial and operating decisions.

Related Party Transaction
Transfer of resources or obligations between related parties, regardless of whether a price is charged.

Residual Value
Residual value is the net amount which the enterprise expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Revenue
Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an enterprise.

Subsidiary Company
A subsidiary is an enterprise that is controlled by another enterprise (known as the parent).

Abbreviations

Corporate Social Responsibility	CSR
Di-Ammonia Phosphate	DAP
Earnings per Share	EPS
Environmental Protection Agency	EPA
Fauji Fertilizer Company	FFC
Gas Infrastructure Development Cess	GIDC
General Sales Tax	GST
Government of Pakistan	GOP
Human Development Foundation	HDF
Institute of Chartered Accountants of Pakistan	ICAP
Institute of Cost and Management Accountants of Pakistan	ICMAP
Key Performance Indicator	KPI
Memorandum of Understanding	MOU
Million Standard Cubic Foot	MSCF
National Environment Quality Standards	NEQS
Non Governmental Organization	NGO
Return on Assets	ROA
Return on Equity	ROE
Sindh Environmental Protection Agency	SEPA
State Bank of Pakistan	SBP
Sui Southern Gas Company	SSGC

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