Forging AHEAD

Annual Report for the year ended December 31, 2014

FFC FAUJI FERTILIZER COMPANY LIMITED

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Consolidated Financial Statements

2014 in Numbers

SONA UREA SALES
2,371
(TONNES '000)

REVENUE
81,240
(Rs. MILLION)

RETURN ON EQUITY
70.79
(%)

SONA UREA PRODUCTION
2,403
(TONNES '000)

DIVIDEND PER SHARE
13.65
(Rs.)

BASIC EARNINGS PER SHARE
14.28
(Rs.)

ASSET TURNOVER
0.94
(TIMES)

SHAREHOLDERS EQUITY
25,670
(Rs. MILLION)

PROFIT AFTER TAX
18,171
(Rs. MILLION)

GEARING RATIO
8.87
(%)

CURRENT RATIO
0.67
(TIMES)

NET ASSETS PER SHARE
20.18
(Rs.)

RETENTION
4.43
(%)

MARKET VALUE PER SHARE (YEAR END)
117.11
(Rs.)

MARKET CAPITALIZATION
148,992
(Rs. MILLION)

The Way So Far

2014	FFC Energy Limited achieved Tariff True-up and completed first year of commercial operations. Received first ever dividend of Rs. 544 million from Askari Bank Limited (AKBL).
2013	Acquisition of 100% equity stake in FFF (formerly Al-Hamd Foods Limited), a pioneer Individually Quick Freeze (IQF) fruits and vegetables project. Acquisition of 43.15% equity stake in AKBL representing the Company's first ever venture into financial sector. Commencement of Commercial Operations by FFC Energy Limited.
2012	Inauguration of FFC Energy Limited. Inauguration of new state of the art HO Building in Rawalpindi.
2011	SAP-ERP implemented in the Company, improving business processes by reducing time lags and duplication of work.
2010	Investment in FFC Energy Limited, Pakistan's first wind power electricity generation project.
2008	De-Bottle Necking (DBN) of Plant III was executed and commissioned successfully for enhancement of capacity to 125% of design i.e. 718 thousand tonnes annually. Investment of Rs. 1.5 billion in Fauji Cement Company Limited, currently representing 6.79% equity participation.
2004	With investment in Pakistan Maroc Phosphore, Morocco S.A., of Rs. 706 million, FFC has equity participation of 12.5% in PMP.
2003	FFC obtained certification of Occupational Health & Safety Assessment Series, OHSAS-18001:1999.
2002	FFC acquired Ex-Pak Saudi Fertilizers Limited (PSFL) Urea Plant situated in Mirpur Mathelo (Plant III) with annual capacity of 574 thousand tonnes of urea which was the largest industrial sector transaction in Pakistan at that time.
1997	With achievement of Quality Management System certification in Goth Machhi, FFC became the first fertilizer plant in Pakistan to achieve this distinction.
1993	Initial investment in Fauji Fertilizer Bin Qasim Limited (FFBL), a DAP and Urea manufacturing concern which currently stands at Rs. 4.66 billion representing 49.88% equity share. Commissioning of Plant II, Goth Machhi with annual capacity of 635 thousand tonnes of Urea.
1992	Through DBN program, the production capacity of Plant I was increased to 695 thousand tonnes per year. Listed with Islamabad Stock Exchange.
1991	Listed with Karachi and Lahore Stock Exchange.
1982	Commissioning of Plant I, Goth Macchi with annual capacity of 570 thousand tonnes.
1978	Incorporation of the Company.

2014 Highlights

Jan–14
22 tons of rations & medicines for drought hit areas in Tharparker

Apr–14
164th BOD - 30% dividend declared

Jul–14
165th BOD - 34% dividend declared

Sep–14
AKBL dividend 544 million

ICAP / ICMAP Award

Oct–14
ISO-9001 (Quality), OHSAS-1800 (OH&S) and ISO-14001 (Environment) Certifications

Oct–14
Consortium Agreement signed between FFC, HTAS, Ferrostaal

Oct–14
167th BOD - 37.5% dividend declared

Nov–14
FFCEL Tariff True-up achieved

IMS audit conducted at Plant-III

Dec–14
Record revenue - Rs. 81.24 billion

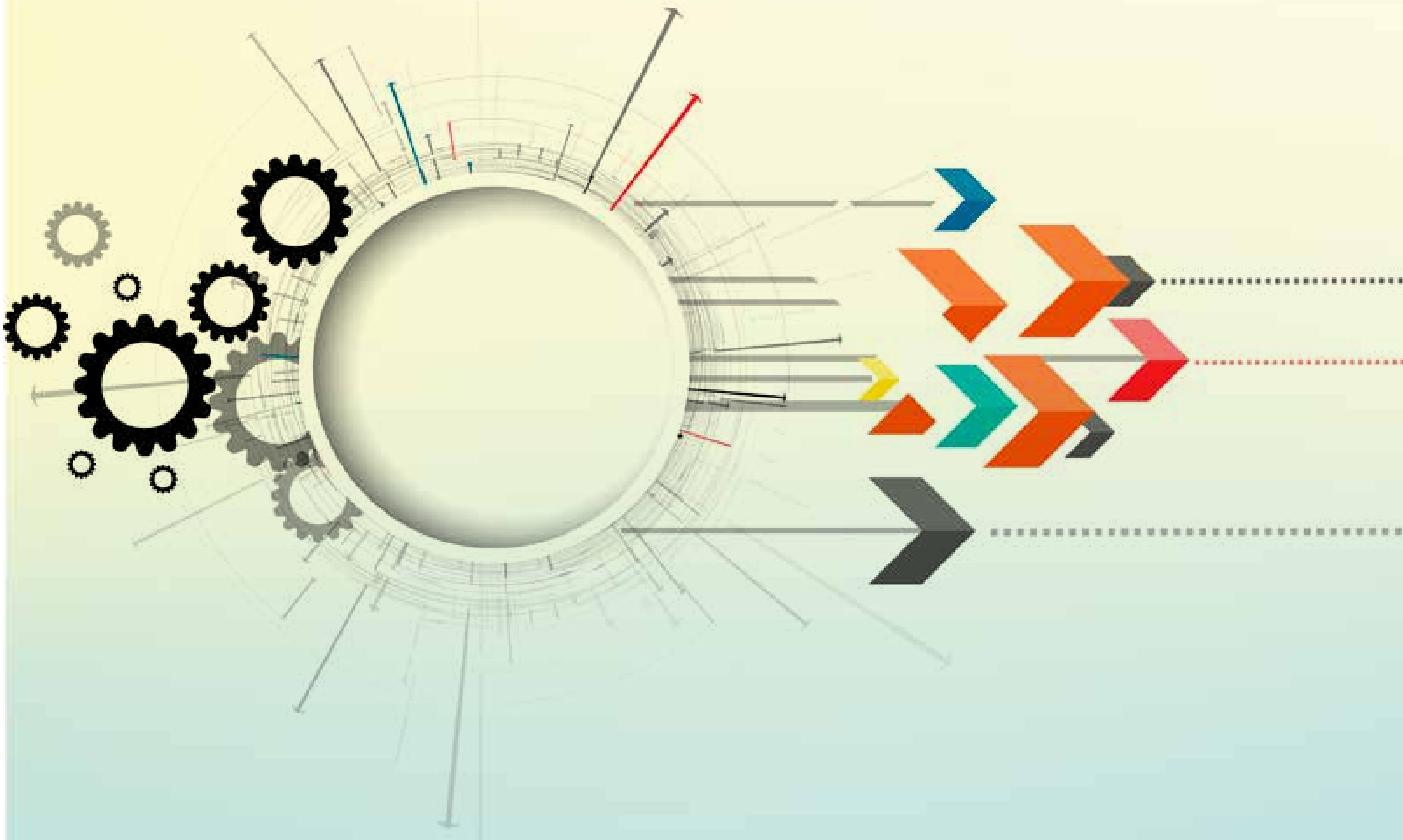
SAFA Award

Dec–14
Contribution to National Exchequer over Rs. 45 billion

2014
MAP award / CSR awards

2014
1st position in KSE Top 25 Companies Award

Vision & Mission Statements



Vision

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

Mission

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

Corporate Strategy

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

Policy Statement of Ethics & Business Practices

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

Code of Conduct

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

Core Values

At FFC we seek uncompromising integrity through each individual's effort towards quality product for our customers, maximizing returns to the shareholders and sizable contribution to the national exchequer.

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

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

Management Objectives

Objective 1 — Enhance agricultural productivity through balanced fertilizer application

Strategy	Educate farmers regarding fertilizer usage through Farm Advisory Centers (FAC)
Priority	High
Status	Ongoing Process – Plans for the year achieved
Opportunities / Threats	Per acre production in Pakistan is lower than recorded in developed parts of the world providing room for improvement. However, lack of farmer education and willingness to adopt modern farming practices is a threat in achieving this objective.

Objective 2 — Maintain industry leadership

Strategy	Stay abreast of technological advancements and continuously upgrade production facilities to maximize efficiency
Priority	High
Status	Ongoing Process – Targets for the year achieved
Opportunities / Threats	With the passage of time, upgradation and maintenance may result in high costs both directly and in terms of production downtime.

Objective 3 — Expand sales

Strategy	Sales expansion through geographical diversification and improved farmer awareness
Priority	High
Status	Annual targets achieved
Opportunities / Threats	There are still untapped opportunities to expand our distribution network within and outside the Country. The prevailing shortage of gas is however a cause for concern and would impede progress in the long run if not addressed by the Government. Additionally, in case international prices fall below the rising domestic price (impact of gas curtailment and imposition of GIDC), increased imports would hamper growth.

Objective 4 — Create / enter new lines of business to augment profitability and achieve sustained economic growth

Strategy	Continuously seek avenues to diversify within and outside the Fertilizer Industry
Priority	High
Status	An evolving process – Plans for 2014 achieved
Opportunities / Threats	Diversifying into a new line of business is a high cost decision both on account of initial capital outlay and increased management expertise required. FFC, however, through its firm financial standing and experienced management pool is in the right position to invest and diversify.

Objective 5 — Maintain operational efficiency to achieve synergies

Strategy	Synchronize our business processes, reducing time and money losses
Priority	High
Status	Ongoing process – Targets for the year achieved.
Opportunities / Threats	There is always room for improvement in efficiency. With focused management strategies, operational efficiencies can be enhanced.

Objective 6 — Economize on costs by eliminating redundancies

Strategy	Keeping our resource utilization at an optimum level through strict governance policies
Priority	High
Status	Current year targets achieved
Opportunities / Threats	The time for flow of information can be reduced through reorganizing business processes in line with our SAP-ERP system.

Significant changes in Objectives & Strategies

FFC's business objectives and strategies are well planned and no significant changes have occurred during the year to affect our course of action for achievement of these objectives.

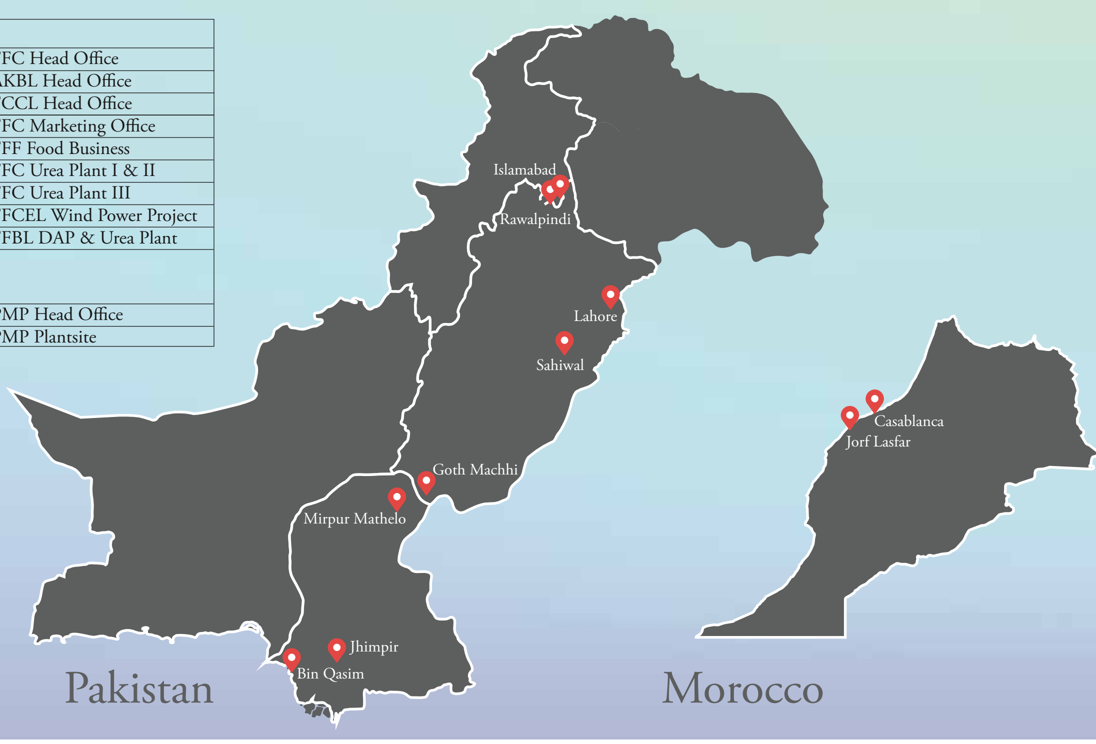
Critical Performance Indicators and Measures

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

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

Geographical Presence

Pakistan	
Rawalpindi / Islamabad	FFC Head Office
	AKBL Head Office
	FCCL Head Office
Lahore	FFC Marketing Office
Sahiwal	FFF Food Business
Goth Machhi	FFC Urea Plant I & II
Mirpur Mathelo	FFC Urea Plant III
Jhimpir	FFCEL Wind Power Project
Bin Qasim	FFBL DAP & Urea Plant
Morocco	
Casablanca	PMP Head Office
Jorf Lasfar	PMP Plantsite



Company Information

Board of Directors

Lt Gen Khalid Nawaz Khan,
HI(M), Sitara-i-Esar (Retired)
Chairman

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

Mr Qaiser Javed
Non-Executive Director

Dr Nadeem Inayat
Non-Executive Director

Mr Jorgen Madsen
Non-Executive Director

Engr Rukhsana Zuberi
Independent Director

Mr Farhad Shaikh Mohammad
Independent Director

Maj Gen Ghulam Haider,
HI(M) (Retired)
Non-Executive Director

Mr Khizar Hayat Khan
Non-Executive Director

Maj Gen Muhammad Farooq Iqbal,
HI(M) (Retired)
Non-Executive Director

Brig Dr Gulfam Alam,
SI(M) (Retired)
Non-Executive Director

Mr Shahid Ghaffar
Independent Director

Ms Nargis Ghaloo
Independent Director

Chief Financial Officer

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

Company Secretary

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

Registered Office

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

Plantsites

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

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

Marketing Division

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

Karachi Office

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

Auditors

A.F. Ferguson & Co.
Chartered Accountants
PIA Building, 3rd Floor
49, Blue Area, P.O. Box 3021
Islamabad, Pakistan
Tel: 92-51-2273457-60
Fax: 92-51-2277924, 2206473

Shares Registrar

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

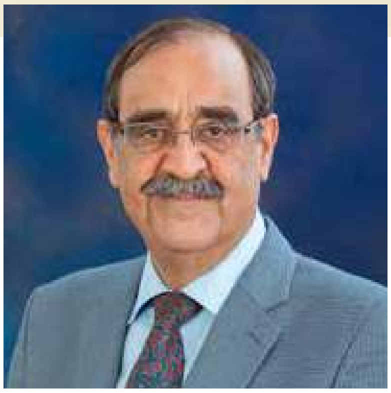
Cost Auditors

BDO Ebrahim & Co.
Chartered Accountants
3rd Floor, Saeed Plaza, 22 East,
Blue Area, Jinnah Avenue, Islamabad
Tel: 92-51-2604461-5
Fax: 92-51-2277995

Bankers

Al Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Barclays Bank PLC, Pakistan
Burj Bank Limited
Deutsche Bank AG
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial and Commercial Bank of China
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
SAMBA Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
The Bank of Punjab
United Bank Limited

Profile of the Board



Lt Gen Khalid Nawaz Khan
HI(M), Sitara-i-Esar (Retired)
(Chairman & Non-Executive Director)

Joined the Board on January 2, 2015.

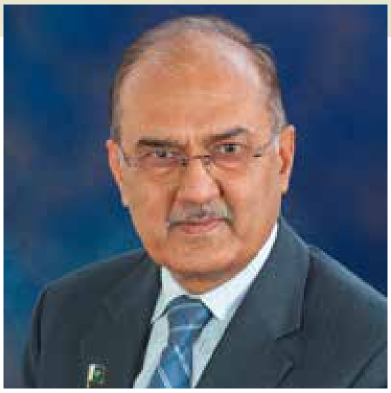
He is the Managing Director of Fauji Foundation, Fauji Oil Terminal & Distribution Company Limited and also the Chairman on the Boards of the following:

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

Was commissioned in the Pakistan Army in April 1975 with the coveted Sword of Honour. He has a vast and varied experience in various command, staff and instructional assignments including command of an Infantry Division and a Corps. The General also remained Commandant of the prestigious Command and Staff College Quetta, in addition to having served on the faculties of School of Infantry, Command & Staff College and National Defence University.

He is a graduate of Armed Forces War College (National Defence University) and Command and General Staff College, Fort Leavenworth, USA. He holds Masters Degrees in War Studies, Art and Science of Warfare and General Studies.

In recognition of his meritorious services, he has been awarded Hilal-e-Imtiaz (Military). He was also conferred upon the award of Sitara-i-Esar for his leadership role in disaster management during the devastating 2005 Earthquake in Azad Kashmir.



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

Joined the Board on March 26, 2012.

He is also Chief Executive & Managing Director of FFC Energy Limited and Fauji Fresh n Freeze Limited and holds directorship on the Boards of following:

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

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

Was commissioned in Pakistan Army in 1974. During his long meritorious service in the Army, he had been employed on various prestigious command, staff and instructional assignments including Corps Commander. He is a graduate of Command and Staff College Quetta and Armed Forces War College (National Defence University) Islamabad.

He holds Bachelors in Civil Engineering and Masters degrees in Defence Studies and International Relations. He attended Financial Management Programs at the Columbia University USA and the INSEAD School of Business, France, a Mergers & Acquisitions Program at the University of California, Los Angeles, USA and an Executive Program at Pakistan Institute of Management.

The General is considered an expert in the field of strategy and has remained on faculty of National Defence University and NUST (Military College of Engineering). After his retirement from the Army, he remained Secretary of Defence, Pakistan as well. He is on the advisory board of Army Green Book; a prestigious publication on defence and security.

Mr Qaiser Javed
(Non-Executive Director)

Joined the Board on October 15, 1999.

Joined Fauji Foundation in 1976 and is currently working as Director Finance. He has the honour of being member on Board of Directors of 20 Companies, he holds the following major positions:

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

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

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

Profile of the Board

Dr Nadeem Inayat

(Non-Executive Director)

Joined the Board on May 27, 2004.

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

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Fauji Akbar Portia Marine Terminals (Pvt.) Limited
- Fauji Oil Terminal & Distribution Company Limited
- Mari Petroleum Company Limited
- Askari Cement Limited
- Daharki Power Holding Limited
- Pakistan Maroc Phosphore S.A.
- Foundation Wind Energy - I Limited
- Foundation Wind Energy - II (Pvt.) Limited
- Fauji Fresh n Freeze Limited
- Fauji Foods Limited
- Fauji Meat Limited
- Foundation University
- FFBL Power Company Limited
- Askari Bank Limited
- Fauji Infraavest Foods Limited

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

He holds a Doctorate in Economics and has over 27 years of diversified domestic as well as international experience in the financial sector. He has vast experience in corporate governance, policy formulation and deployment, project appraisal, implementation, monitoring & evaluation, restructuring, and collaboration with donor agencies.

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

Mr Jorgen Madsen

(Non-Executive Director)

Joined the Board on September 16, 2009.

During his career he has held positions as Process Engineer, Project Manager and Manager of the Ammonia Process Engineering Department until 1995, when he took over as Manager of the Engineering Division and simultaneously became a Member of the Board of Haldor Topsoe's subsidiary in erstwhile Soviet Union, now Russia. He is currently engaged as General Manager in the R&D Division of Haldor Topsoe A/S, since 2006 with the main responsibility of transferring new pilot scale technologies to industrial scale technologies.

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

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

Engr Rukhsana Zuberi

(Independent Director)

Joined the Board on September 16, 2012.

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

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

Her major achievements during her illustrious career include the following:

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

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

She is Chairperson of the Audit Committee of FFC.

Mr Farhad Shaikh Mohammad
(Independent Director)

Joined the Board on September 16, 2012.

He also holds directorship of:

- Din Textile Mills Limited
- Din Leather (Pvt.) Limited
- Din Energy Limited

His other engagements include:

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

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

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

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

Maj Gen Ghulam Haider
HI(M) (Retired)
(Non-Executive Director)

Joined the Board on March 01, 2014.

He is working as Director Welfare (Health) Fauji Foundation Head Office, Rawalpindi and also holds directorship on the following boards:

- FFC Energy Limited
- Fauji Fresh n Freeze Limited
- Fauji Fertilizer Bin Qasim Limited
- Mari Petroleum Company Limited
- Fauji Kabirwala Power Company Limited

Was commissioned in Pakistan Army in April 1972. He is a graduate of Command and Staff College Quetta and National Defence University, Islamabad and holds a Masters Degree in War Studies from Quaid-e-Azam University, Islamabad. He has vast experience in Inventory Control, Supply Chain Management, Defence Procurement and Human Resource Management.

During his distinguished career spanning over 37 years, he held varied command, staff and instructional appointments. He has been on the faculty of Command & Staff College, Quetta, Army School of Logistics, Kuldana, Murree and Ordnance School, Karachi. Besides service in various logistic installations, the General has also served in Kingdom of Saudi Arabia as adviser on Inventory Management. In recognition of his outstanding services, he was awarded Hilal-i-Imtiaz (Military).

He is Chairman of Human Resources & Remuneration Committee and member of System & Technology Committee of FFC.

Mr Khizar Hayat Khan
(Non-Executive Director)

Joined the Board on April 9, 2013.

He is working as Additional Secretary Ministry of Industries and Production, Government of Pakistan and is chairman governing bodies of Pakistan Industrial Technical Assistance Center (PITAC). He holds directorship in the following companies:

- Technology Up-gradation and Skill Development Company (TUSDEC)
- Pakistan Stone Development Company (PASDEC)
- Pakistan Industrial Development Corporation (PIDC)
- Utility Stores Corporation (USC)
- National Productivity Corporation (NPO)

He holds Masters in International Relations and a Masters in Development Administration, USA.

Profile of the Board

Maj Gen Muhammad Farooq Iqbal
HI(M) (Retired)
(Non-Executive Director)

Joined the Board on June 2, 2014.

He is Director Banking, Industries and Trading (BI&T), Fauji Foundation. He has a diverse corporate governance exposure in fertilizer, power, banking, cement and FMCG sectors. He holds directorship in the following companies:

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Foundation Power Company Daharki Limited
- Daharki Power Holding Limited
- Askari Cement Limited
- Fauji Infraavest Foods Limited

He is in charge of all wholly-owned business projects of Fauji Foundation, adviser to Chairman Askari Bank Limited and CEO of Fauji Infraavest Foods Limited. Served on various military command and staff appointments and remained Director General of inventory control & management and procurement in the Pakistan Army.

He is a graduate of Command & Staff College, Quetta and National Defence University, Islamabad and also holds a Masters degree in International Defence & Strategic Studies from Quaid-e-Azam University, Islamabad.

He has undergone various corporate trainings from reputed National and International Institutes / Universities and is a fellow of the Chartered Institute of Logistics and Transportation (CILT) since 2009.

Brig Dr Gulfam Alam
SI(M) (Retired)
(Non-Executive Director)

Originally joined the Board on August 17, 2011, retired on March 01, 2014 and rejoined on June 02, 2014.

Director of Planning and Development at Fauji Foundation and holds directorship of the following associated companies in the Fauji Group:

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Fauji Akbar Portia Marine Terminals (Pvt.) Limited
- Mari Petroleum Company Limited
- Foundation Wind Energy - I Limited
- Foundation Wind Energy - II (Pvt.) Limited
- FFBL Power Company Limited

He was commissioned in Pakistan Army (Corps of Engineers) in 1978 and was employed on numerous important assignments including Director Planning and Works at Engineer-in-Chief Branch, GHQ, Deputy Group Commander in Frontier Works Organization and Technical Member to Pakistan Commission for Indus Water.

As Director Planning & Development, he is heading the Planning & Development portfolio of Fauji Foundation.

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

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

Mr Shahid Ghaffar
(Independent Director)

Joined the Board on October 20, 2014.

He holds directorship in the following companies:

- Mari Petroleum Company Limited
- Bank Al Habib Limited

He is presently Managing Director, National Investment Trust Limited (NIT) where he had also served in different capacities in the Asset Management Division. He participated in the reconstruction of NIT during the crisis period i.e. 1996-1998.

He has held key positions in the areas of asset management, capital market regulation and governance. At Securities and Exchange Commission of Pakistan (SECP) he served as Executive Director / Commissioner and played a vital role towards implementation of wide ranging reforms in the capital market and capacity building of Securities Market Division at SECP. While working as Managing Director / CEO of Karachi Stock Exchange he introduced effective risk management measures and implemented automation of share trading.

He has worked as Head of Investor Relations and Corporate Representation as well as member of Management Forum at Habib Bank Limited (HBL) and Chief Executive Officer of HBL Asset Management Limited.

He holds a Masters Degree in Business Administration. He has attended several courses on securities regulations, securities markets development and portfolio management including the prestigious course conducted by Securities and Exchange Commission, in Washington, DC in the United States.

Ms Nargis Ghaloo
(Independent Director)

Joined the Board on November 5, 2014.

She holds directorship of the following companies:

- Sui Southern Gas Company Limited
- Orix Leasing Pakistan
- International Industries
- Sui Northern Gas Pipelines Limited

She is the Chairperson of State Life Insurance Corporation of Pakistan.

Besides various administrative assignments at provincial and federal level, she held the positions of Additional Secretary Cabinet Division, DG President Secretariat, Secretary Women Development and Executive Director State Life Insurance Corporation.

She participated in Negotiation and Dispute Resolution Workshop in Singapore, Executive Leadership Development Program at John F. Kennedy School of Government, Harvard University, National Management Course at National Management College Lahore and Public Sector Administration and Financial Management at Singapore.

She holds a Masters Degree in English from University of Sindh and joined civil service in 1982.

Syed Shahid Hussain
(Chief Financial Officer)

Appointed as CFO on November 3, 2008.

He joined the Company in 1981 and has served in various capacities in the Finance Group before being appointed as the Chief Financial Officer of the Company in 2008. With over 30 years of experience in various positions, he plays an active role in the financial / strategic planning of the Company.

He is also a director on the Board of Askari General Insurance Company Limited, Chief Financial Officer of Fauji Fresh n Freeze Limited and has previously held the office of CFO of FFC Energy Limited.

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

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

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

Appointed as Company Secretary on February 5, 2013. He is also holding the appointment of Company Secretary in FFC Energy Limited.

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

He is an alumni of National Defense University, Quaid-e-Azam University and the University of Maryland, USA. Holds Masters degrees in International Relations, Defence & Strategic Studies and War Studies and a Diploma in Corporate and Commercial Law. He has also attended MBA workshop by American Management Association, USA.

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

Board Committees

Audit Committee

Composition	
Engr. Rukhsana Zubairi	Chairperson
Mr Qaiser Javed	Member
Dr Nadeem Inayat	Member
Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired)	Member

Directors	22nd January	24th April	22nd July	27th October	15th December	Total Meetings Attended
Engr Rukhsana Zuberi	✓	✓	✓	✓	✓	5
Mr Qaiser Javed	✓	✓	✓	✓	✓	5
Dr Nadeem Inayat	✗	✓	✓	✓	✓	4
Maj Gen Muhammad Farooq Iqbal HI(M), (Retired)	–	–	–	✓ Appointed as member w.e.f 18th Sep, 2014	✓	2

Salient Features & Terms of Reference

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

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

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

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

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

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

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

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

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

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

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

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

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

l) Determination of compliance with relevant statutory requirements.

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

n) Review of Related Party transactions entered into during the year and recommending approval of the Board of Directors thereon.

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

Human Resource & Remuneration Committee

Composition	
Maj Gen Ghulam Haider, HI(M) (Retired)	Chairman
Dr Nadeem Inayat	Member
Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired)	Member

Directors	2nd December	Total Meetings Attended
Maj Gen Ghulam Haider, HI(M) (Retired)	✓	1
Dr Nadeem Inayat	×	–
Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired)	✓	1

Salient Features & Terms of Reference

The role of the Human Resources & Remuneration Committee is to assist the Board of Director in its oversight of the evaluation and approval of the employee benefit plans, welfare projects and retirement emoluments. The Committee recommends any adjustments, which are fair and required to attract / retain high calibre staff, for consideration and approval. The Committee has the following responsibilities, powers, authorities and discretion:

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

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

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

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

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

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

g) Review and recommend compensation / benefits for the CE&MD in consultation with the Company Secretary.

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

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

Board Committees

System & Technology Committee

Composition	
Brig Dr Gulfam Alam, SI(M) (Retired)	Chairman
Dr Nadeem Inayat	Member
Maj Gen Ghulam Haider, HI(M) (Retired)	Member

Directors	15th July	2nd December	Total Meetings Attended
Brig Dr Gulfam Alam, SI(M) (Retired)	✓	✓	2
Dr Nadeem Inayat	×	×	–
Maj Gen Ghulam Haider, HI(M) (Retired)	✓	✓	2

Salient Features & Terms of Reference

The role of System & Technology Committee is as follows:

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

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

c) Review the recommendations of the Management:

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

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

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

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

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

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

Project Diversification Committee

Composition	
Dr Nadeem Inayat	Chairman
Mr Qaiser Javed	Member
Brig Dr Gulfam Alam, SI(M) (Retired)	Member

Directors	28th January	17th June	Total Meetings Attended
Dr Nadeem Inayat	✓	✓	2
Mr Qaiser Javed	✓	✓	2
Brig Dr Gulfam Alam, SI(M) (Retired)	×	✓	1

Salient Features & Terms of Reference

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

Management Committees

Executive Committee

Composition	
Lt Gen Naeem Khalid Lodhi, HI(M) (Retired), CE&MD	Chairman
Syed Iqtidar Saeed, CTO	Member
Syed Shahid Hussain, CFO	Member
Mr Mohammad Munir Malik, GGM-MKT	Member
Mr Muhammad Shuaib, GM-IA	Member
Brig Dr Mukhtar Hussain SI(M) (Retired), GM-IS	Member
Brig Tariq Javaid SI(M) (Retired), GM-HR	Member
Mr Naveed Ahmad Khan, GM-M&O (Goth Machhi)	Member
Mr Pervez Fateh, A/GM-M&O (Mirpur Mathelo)	Member
Brig Sher Shah SI(M) (Retired), Company Secretary	Member
Brig Sajid Nisar Khan SI(M) (Retired), CCO	Member / Secretary

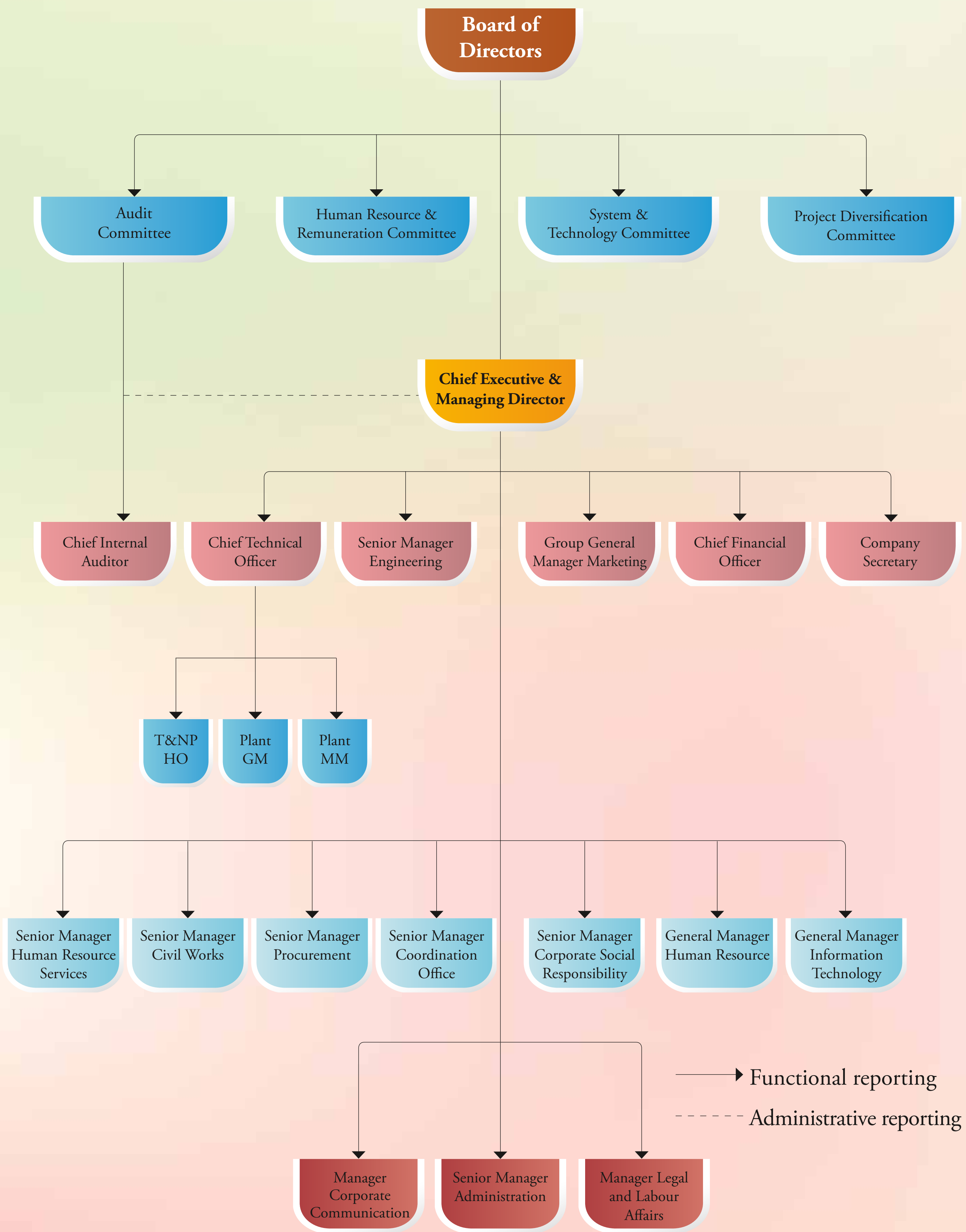
Business Strategy Committee

Composition	
Lt Gen Naeem Khalid Lodhi, HI(M) (Retired), CE&MD	Chairman
Syed Iqtidar Saeed, CTO	Member
Syed Shahid Hussain, CFO	Member
Mr Mohammad Munir Malik, GGM-MKT	Member
Mr Naveed Ahmed Khan, GM-M&O (Goth Machhi)	Member
Brig Sher Shah, SI(M) (Retired), Company Secretary	Member
Brig Sajid Nisar Khan SI(M) (Retired), CCO	Member / Secretary

CSR Committee

Composition	
Lt Gen Naeem Khalid Lodhi, HI(M) (Retired), CE & MD	Chairman
Syed Iqtidar Saeed, CTO	Member
Syed Shahid Hussain, CFO	Member
Mr Muhammad Munir Malik, GGM – MKT	Member
Brig Sher Shah, SI(M) (Retired), Company Secretary	Member
Brig Sajid Nisar Khan, SI(M) (Retired), CCO	Member
Brig Munawar Hayat Khan Niazi, SI(M) (Retired), SM- CSR	Member / Secretary

Organizational Chart



Business Model

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

Growth Drivers

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

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

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

Our Key Assets

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

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

We are continuously investing in our production facilities to enhance operational efficiency and fuel the key growth drivers. Our extensive distribution network extends to all provinces of the Country, ensuring maximum market presence.

Leveraging our Assets

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

The pursuit of excellence in every sphere of operation is our aim which ensures continued success. Our farsighted management strategies are focused on development of our key assets which form the foundation for future growth.

Product Portfolio

Urea Fertilizer

FFC & FFBL

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

Industrial Use

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

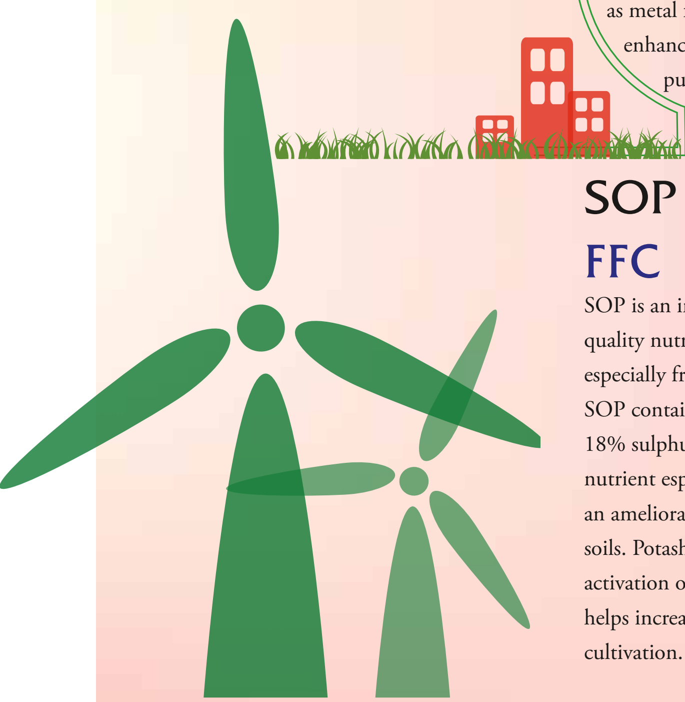
DAP Fertilizer

FFC & FFBL

Sona DAP is the most concentrated phosphatic fertilizer containing 46% P_2O_5 and 18% Nitrogen. The solubility of DAP is more than 95%, which is highest among the phosphatic fertilizers available in the country. Further, on account of its nitrogen content, it temporarily increases the soil pH.

Industrial Use

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



SOP Fertilizer

FFC

SOP is an important source of Potash, a quality nutrient for production of crops especially fruits and vegetables. FFC SOP contains 50% K_2O in addition to 18% sulphur, which is an important nutrient especially for oil seed crops with an ameliorating effect on salt-affected soils. Potash is an important nutrient for activation of enzymes in the plant body and helps increase sugar and starch contents in cultivation.

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

Renewable Energy

FFCEL

The company has been incorporated to operate a 49.5 MW wind power generation facility and its onward supply to Pakistan's National Grid (NTDC).

Financial Services

AKBL

Operating through a network of 321 full service / sub branches with a Wholesale Bank Branch in the Kingdom of Bahrain, AKBL offers a wide range of banking activities including commercial & corporate lending, trade businesses, Islamic, consumer, agriculture & investment banking, equity trading and treasury operations. The Bank is also engaged in the business of mutual funds and share brokerage, investment advisory and related services through its subsidiary companies, Askari Investment Management Limited and Askari Securities Limited.

The Bank also offers branchless banking service under the brand name 'Timepey'. A wide network of Timepey shops across Pakistan are fully equipped to handle day to day needs of the customers including; money transfer, bill payment and mobile top-up etc.

Frozen Fruits & Vegetables

FFF (formerly Al-Hamd Foods Limited)

Construction work on the Individually Quick Freeze (IQF) Plant of Fauji Fresh n Freeze, is progressing as per plan with scheduled inauguration during 2015.

Stakeholders' Engagement

Stakeholders	Management of Stakeholders' Engagement	Effect and value to FFC
Institutional Investors / Shareholders	The Company acknowledges and honors the trust our investors put in us by providing a steady return on their investment. We enforce rigorously a transparent relationship with all our stakeholders.	The providers of capital allow FFC the means to achieve its vision.
Customers & Suppliers	FFC has invested significantly over the years in customer relationship management going beyond extending credit facilities and trade discounts. Through Agri services, FFC has been continuously inducing changes in agricultural production and are highlighting the importance of rapid and efficient transfer of advanced knowledge to farmers for their sustainable economic growth. Our continuous and sustainable growth is also attributable to engaging reputed and dependable suppliers as business partners for supply of raw material, industrial inputs, equipment and machinery.	Our success and performance depends upon the loyalty of our customers, their preference of the 'Sona' brand and our supply chain management.
Banks and other lenders	Banks and other financial institutions are engaged by the Company on an on-going basis in relation to negotiation of rates, lending purposes, short term financing, deposits and investments. Banks are also consulted on issues linked with letters of credit and payments to suppliers, along with other disbursements of operational nature.	Dealings with banks and lenders is key to the Company's performance in terms of the following: • Access to better interest rates and loan terms, • Minimal fees, • Higher level of customer service, and • Helpful in planning for the future.
Media	Different communication mediums are used on need basis to apprise the general public about new developments, activities and philanthropic initiatives of the Company.	By informing the media of the developments and activities of FFC, more awareness of the Company is developed along with the awareness of products and services offered, indirectly impacting the performance of the Company.
Regulators	FFC prides itself in being a responsible corporate citizen and abides by the laws and regulations of Pakistan. FFC consciously ensures that all the legal requirements of other countries are also fulfilled while conducting business outside Pakistan. FFC has paid a total of Rs. 45 billion in taxes and duties this year and continues to be one of the highest tax payers of Pakistan.	Laws and regulations, determination of prices and other factors controlled by the Government affect FFC and its performance.
Analysts	In order to attract potential investors, the company regularly engages with analysts on details of projects already disclosed to the regulators, with due regard to regulatory restrictions imposed on inside information and / or trading, to avoid any negative impact on the Company's reputation or the share price.	Providing all the required information to analysts helps in clarifying any misconception / rumour in the market.
Employees	Our commitment to our most valued resources, a committed and competent workforce, is at the core of our Human Resource strategy. FFC provides a nurturing and employee friendly environment while investing heavily in local and foreign employee trainings. Besides monetary compensations, FFC has invested in health and fitness activities for its employees.	Employees are at the heart of our organization, implementing every strategic and operational decision of the management. Our employees represent us in the industry and community.
Local community and general public	In addition to local communities near plant sites, the Company engages with general public at large through its CSR Department. This engagement helps to identify needed interventions in the field of education, health and uplift of the society.	The people of our Country provide the grounds for us to build our future.

Notice of Meeting

Notice is hereby given that the 37th Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at FFC Head Office, 156 The Mall, Rawalpindi on Tuesday, March 17, 2015 at 1500 hours to transact the following business:-

Ordinary Business

1. Confirmation of the minutes of 36th Annual General Meeting held on March 14, 2014.

2. Consideration, approval and adoption of annual audited accounts and the consolidated audited accounts of FFC and its subsidiaries alongwith Directors' and Auditors' Reports thereon for the year ended December 31, 2014.

3. Appointment of Auditors for the year 2015 and to fix their remuneration.

   The retiring Auditors M/s A.F.Ferguson & Co, Chartered Accountants being eligible have offered themselves for re-appointment for the year 2015. Besides this, a notice has been received from a member in terms of Section 253(2) of the Companies Ordinance 1984, recommending appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants as Auditors of the Company, in place of retiring Auditors at the Annual General Meeting of the Company.

4. Approval of Final Dividend for the year ended December 31, 2014 as recommended by the Board of Directors.

5. Transact any other business with the permission of the Chair.

By Order of the Board

Brig Sher Shah (Retired)
Company Secretary

Rawalpindi
February 23, 2015

NOTES:

1. The share transfer books of the Company will remain closed from March 11, 2015 to March 17, 2015 (both days inclusive) and no request for transfer of shares will be accepted for registration. Transfers received at Company's Share Registrar namely THK Associates (Pvt) Limited, 2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi – 75530, Pakistan by the close of business on March 10, 2015 will be considered in time for the purpose of payment of final dividend to the transferees.

2. A member of the Company entitled to attend and vote at the Meeting may appoint a person/representative as proxy to attend and vote in place of the member. Proxies in order to be effective must be received at the Company's Registered Office, 156-The Mall, Rawalpindi, Pakistan not later than 48 hours before the time of holding the Meeting. A member shall not be entitled to appoint more than one proxy.

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

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

A. For attending the Meeting:

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

(ii) Members registered on CDC are also requested to bring their particulars, I.D. Numbers and account numbers in CDS.

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

B. For appointing proxies:

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

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

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

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

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

4. **Consent for Video Conference Facility**

As allowed by SECP vide Circular No. 10 of 2014 dated May 21, 2014, members can avail video conference facility for this Annual General Meeting, at Lahore and Karachi provided the Company receives consent from the members holding in aggregate 10% or more shareholding, residing at above mentioned locations, atleast 10 days prior to date of the meeting.

Subject to the fulfillment of the above conditions, members shall be informed of the venue, 5 days before the date of the General Meeting alongwith complete information necessary to access the facility.

In this regard please send a duly signed request as per following format at the registered address of the Company 10 days before holding of general meeting.

I/We, ___________________ of _______________, being a member Fauji Fertilizer Company Limited, holder of _______ Ordinary Share(s) as per Registered Folio No. ______ hereby opt for video conference facility at __________.

5. Annual Accounts of the Company for the financial year ended December 31, 2014 have been provided on the Company's website i.e. www.ffc.com.pk

6. Members are hereby informed that pursuant to SECP SRO 787(1)/2014 dated September 8, 2014, circulation of Audited Financial Statements and Notice of Annual General Meeting has been allowed in electronic format through email.

In compliance with the above requirements, soft copies of the Annual Report 2014 are being emailed to the members having opted to receive such communication in electronic format. Other members who wish to receive the Annual Report in electronic form may file an application as per the format provided on the Company's website in compliance with the subject SRO. The members who have provided consent to receive Annual Report through email can subsequently request a hard copy which shall be provided free of cost within seven days; however, the Company shall continue to send hard copy to all other members as per practice in vogue.

Members are also requested to intimate any change in their registered email addresses on a timely manner, to ensure effective communication by the Company.

7. **WITHHOLDING TAX ON DIVIDENDS**

Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

(a) For filers of income tax returns: 10%
(b) For non-filers of income tax returns: 15%

To enable the Company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for approval of the cash dividend i.e. March 17, 2015 otherwise tax on their cash dividend will be deducted @ 15% instead of 10%.

For any further assistance, the members may contact the Company or the Share Registrar at the following phone numbers, email addresses:-

FFC Shares Department
Telephone: +92-51-8453235
Email: shares@ffc.com.pk

THK Associates (Pvt) Ltd
Telephone: +92-21-111-000-322
Email: it@thk.com.pk & aa@thk.com.pk

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar i.e. THK Associates (Pvt) Limited, Karachi. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

Financial Performance

		2014	2013	2012	2011	2010	2009
Profitability Ratios							
Gross profit ratio	%	38.29	46.36	48.47	62.20	43.60	43.27
Net Profit to Sales	%	22.37	27.03	28.07	40.73	24.58	24.40
EBITDA margin to sales	%	35.61	42.74	44.99	63.64	41.43	41.68
Operating leverage ratio	Times	1.19	1.11	3.73	4.12	1.00	1.65
Return on equity (Profit After tax)	%	70.79	80.05	80.96	99.17	71.40	67.44
Return on equity (Profit Before tax)	%	102.22	116.97	120.51	146.23	105.59	99.81
Return on capital employed	%	64.50	68.41	70.38	88.60	57.25	49.96
Pre tax margin	%	32.30	39.50	41.78	60.06	36.35	36.11
Return on assets	%	20.99	29.68	34.38	40.50	25.61	22.89
Growth in EBTDA	%	(9.64)	(4.20)	(5.58)	96.27	23.91	29.29
Earning before Interest, Depreciation and Tax	Rs. in Million	28,930	31,832	33,437	35,141	18,591	15,071
Earnings growth	%	(9.79)	(3.48)	(7.24)	103.92	24.93	35.20
Liquidity Ratios							
Current ratio	Times	0.67	0.77	1.14	1.04	0.86	0.84
Quick / Acid test ratio	Times	0.59	0.66	1.01	0.93	0.73	0.66
Cash to Current liabilities	Times	0.28	0.38	0.61	0.38	0.32	0.12
Cash flow from Operations to Sales	Times	0.36	0.34	0.25	0.35	0.33	0.25
Activity / Turnover Ratios							
Inventory turnover ratio	Times	148	188	152	162	283	236
No. of Days in Inventory	Days	2	2	2	2	1	2
Debtors turnover ratio	Times	107	35	40	248	146	96
No. of Days in Receivables	Days	3	11	9	1	3	4
Creditors turnover ratio - GIDC	Times	3	9	61	33	60	55
- without GIDC	Times	124	144	61	33	60	55
No. of Days in Payables - GIDC	Days	124	42	6	11	6	7
- without GIDC	Days	3	3	6	11	6	7
Total assets turnover ratio	Times	0.94	1.10	1.23	0.99	1.04	0.94
Fixed assets turnover ratio	Times	4.04	4.04	4.15	3.24	2.82	2.58
Operating cycle - GIDC	Days	(119)	(29)	5	(8)	(2)	(1)
- without GIDC	Days	2	10	5	(8)	(2)	(1)
Investment / Market Ratios							
Earnings per Share (EPS) and Diluted EPS	Rs.	14.28	15.83	16.40	17.68	8.67	6.94
Price Earning ratio	Times	8.20	7.07	7.14	8.46	14.52	14.83
Dividend yield ratio	%	11.99	13.77	12.29	16.51	14.24	14.93
Dividend Payout ratio							
- Cash (Interim & Proposed Final)	%	95.57	96.99	94.53	75.42	79.98	98.12
- Cash & Stock (Interim & Proposed Final)	%	95.57	96.99	94.53	94.27	95.36	105.11
Dividend cover ratio	Times	1.05	1.03	1.06	0.71	0.56	0.49
Cash Dividend per share (Interim & Proposed Final)	Rs.	13.65	15.35	15.50	20.00	13.00	13.15
Stock Dividend per share (Interim & Proposed Final)	%	-	-	-	50.00	25.00	10.00
Market value per share							
- Year end	Rs.	117.11	111.96	117.14	149.54	125.86	102.93
- High during the year	Rs.	125.92	121.60	190.95	198.35	128.50	109.20
- Low during the year	Rs.	106.51	100.00	105.75	109.82	101.10	61.66
Break up value (Net assets per share)							
- without Revaluation Reserves	Rs.	20.18	19.77	20.26	26.75	22.77	19.28
- with Revaluation Reserves *	Rs.	N/A					
Retention (after interim & proposed cash)	%	4.43	3.01	5.47	24.58	20.02	1.88
Change in Market Value Added	%	5.14	(4.85)	18.35	48.86	23.25	239.94
Market price to breakup value	Times	5.64	5.64	6.22	5.66	4.78	5.34
Capital Structure Ratios							
Financial leverage ratio	Times	0.62	0.51	0.40	0.58	0.73	0.95
Weighted average cost of debt	%	10.48	10.08	12.47	14.50	13.49	14.64
Debt to Equity ratio		9:91	15:85	13:87	10:90	20:80	26:74
Interest cover ratio	Times	31.91	39.91	32.08	43.20	16.00	14.82

* Note: Breakup value with revaluation reserves does not apply as FFC has no revaluation reserves.

Rs. in Million

	2014	2013	2012	2011	2010	2009
Summary of Balance Sheet						
Share capital	12,722	12,722	12,722	8,482	6,785	6,785
Reserves	12,948	12,429	13,045	14,199	8,662	6,297
Shareholder's funds / Equity	25,670	25,151	25,767	22,681	15,447	13,082
Long term borrowings	2,500	4,280	3,870	2,704	3,819	4,579
Capital employed	28,170	29,431	29,637	25,385	19,266	17,661
Deferred liabilities	4,574	4,078	3,915	3,623	3,807	3,036
Property, plant & equipment	20,094	18,444	17,819	17,051	15,934	13,994
Long term assets	50,679	41,501	29,716	27,895	25,837	23,635
Net current assets / Working capital	(17,935)	(7,992)	3,836	1,114	(2,764)	(2,938)
Liquid funds (net)	2,117	5,298	7,830	14,603	7,830	5,298
Summary of Profit & Loss						
Sales	81,240	74,481	74,323	55,221	44,874	36,163
Gross profit	31,103	34,532	36,023	34,349	19,564	15,648
Operating profit	24,672	28,365	30,469	29,977	15,620	12,473
Profit before tax	26,241	29,419	31,052	33,166	16,310	13,057
Profit after tax	18,171	20,135	20,860	22,492	11,029	8,823
EPS - Basic & Diluted	14.28	15.83	16.40	17.68	8.67	6.94
Summary of Cash Flows						
Net cash flow from Operating activities						
Net profit before taxation	26,241	29,419	31,052	33,166	16,310	13,057
Adjustments for non cash & other items	(1,832)	(1,831)	(1,867)	(4,093)	(568)	(549)
Changes in working capital	14,774	8,182	(272)	1,795	3,662	1,185
Changes in long term loans and advances, deposits, prepayments and deferred liabilities	9	14	3	(68)	(51)	(179)
	14,783	8,196	(269)	1,727	3,611	1,006
	39,192	35,784	28,936	30,800	19,353	13,514
Finance cost paid	(753)	(759)	(1,054)	(844)	(1,096)	(992)
Income tax paid	(9,349)	(9,755)	(9,235)	(10,398)	(3,488)	(3,604)
Net cash flow generated from Operating activities	29,090	25,270	18,646	19,558	14,769	8,918
Net cash flow from Investing activities						
Fixed capital expenditure	(3,479)	(2,295)	(2,270)	(2,314)	(3,314)	(2,344)
Interest received	1,283	1,242	1,276	1,481	501	491
(Increase) / Decrease in investments - net	(8,534)	(10,267)	2,870	(4,032)	1,114	(1,538)
Dividends received	2,578	2,586	2,815	4,842	2,575	2,003
Others	420	51	28	14	83	16
Net cash (used in) / generated from investing activities	(7,731)	(8,683)	4,720	(9)	960	(1,372)
Net cash flow from Financing activities						
Long term financing - disbursements	-	1,950	3,000	500	1,500	1,000
- repayments	(1,460)	(1,514)	(2,016)	(1,759)	(2,299)	(743)
Dividends paid	(17,583)	(20,678)	(17,750)	(14,774)	(10,622)	(6,448)
Net cash used in from financing activities	(19,043)	(20,241)	(16,765)	(16,033)	(11,422)	(6,191)
Net increase / (decrease) in cash and cash equivalents	2,316	(3,654)	6,601	3,516	4,307	1,355
Cash and cash equivalents at beginning of the year	13,013	16,571	9,963	6,423	2,096	740
Effect of exchange rate changes	(48)	96	8	24	19	1
Cash and cash equivalents at end of the year	15,281	13,012	16,572	9,963	6,422	2,096
Others						
Market capitalization (Rs. in Million)	148,992	142,413	149,002	126,810	85,396	69,838
Numbers of shares issued (Million)	1,272	1,272	1,272	848	679	679
Contribution to National Exchequer (Rs. in Million)	45,027	43,534	43,189	28,081	14,647	13,634
Savings through Import Substitution (Million US$)	833	969	1,061	1,126	756	679

Financial Performance

		2014	2013	2012	2011	2010	2009
Quantitative Data							
Designed Capacity							
Plant I - Goth Machhi	KT	695	695	695	695	695	695
Plant II - Goth Machhi	KT	635	635	635	635	635	635
Plant III - Mirpur Mathelo	KT	718	718	718	718	718	718
Total Designed Capacity	KT	2,048	2,048	2,048	2,048	2,048	2,048
Plant wise Production - Sona Urea							
Plant I - Goth Machhi	KT	816	775	799	842	867	807
Plant II - Goth Machhi	KT	804	803	772	782	807	847
Plant III - Mirpur Mathelo	KT	783	830	834	772	811	810
Total Production - Sona Urea	KT	2,403	2,408	2,405	2,396	2,485	2,464
Capacity Utilization							
Plant I - Goth Machhi	%	117	112	115	121	125	116
Plant II - Goth Machhi	%	127	126	122	123	127	133
Plant III - Mirpur Mathelo	%	109	116	116	108	113	113
Total Capacity Utilization	%	117	118	117	117	121	120
Sona Urea - Sales	KT	2,371	2,409	2,399	2,406	2,482	2,464
Imported Fertilizer - Sales	KT	140	81	74	10	87	41

Direct Method Cash flow

Rs. in Million

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers - net	81,080	78,377
Cash paid to suppliers / service providers and employees - net	(39,316)	(40,253)
Payment to gratuity fund	(586)	(92)
Payment to pension fund	(94)	(47)
Payment to Workers' Welfare fund - net	(417)	(624)
Payment to Workers' Profit Participation fund - net	(1,475)	(1,577)
Finance cost paid	(753)	(759)
Income tax paid	(9,349)	(9,755)
	29,090	25,270
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(3,479)	(2,295)
Proceeds from sale of property, plant and equipment	45	50
Interest received	1,283	1,243
Investment in FFC Energy Limited	-	(138)
Investment in Askari Bank Limited	-	(10,462)
Investment in Fauji Fresh n Freeze Limited (formerly Al-Hamd Foods Limited)	(450)	(586)
Sale of shares in Fauji Fertilizer Bin Qasim Limited	375	-
(Increase) / Decrease in other investment - net	(8,083)	919
Dividends received	2,578	2,586
Net cash used in investing activities	(7,731)	(8,683)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - disbursements	-	1,950
- repayments	(1,460)	(1,514)
Dividends paid	(17,583)	(20,677)
Net cash used in financing activities	(19,043)	(20,242)
Net increase / (decrease) in cash and cash equivalents	2,316	(3,654)
Cash and cash equivalents at beginning of the year	13,013	16,571
Effect of exchange rate changes	(48)	96
Cash and cash equivalents at end of the year	15,281	13,012

Six year analysis of Financial Position & Performance

Equity and Liabilities

Shareholders' Equity

Aggregate equity of the Company has almost doubled over the past 6 years, and has also registered an increase of 2% compared to last year. The share capital stands increased to Rs. 12.72 billion as a result of bonus issues of 25% in 2011 and 50% during 2012. Reserves of the Company decreased from Rs. 14.20 billion in 2011 to Rs. 12.43 billion in 2013 because of profitability decline, but increased subsequently by 4% in 2014 to Rs. 12.95 billion because of higher retention.

Non-current Liabilities

Total non-current liabilities comprising of long term loans, deferred taxation and long term portion of compensated leave absences, have remained fairly constant during the past 6 years. Long term loans reduced by Rs. 1.78 billion during the year on account of repayment, while deferred liabilities increased by 12% compared to 2013. Long term financing has been utilized for asset acquisition, equity investments and plant maintenance turnarounds.

Current Liabilities

Current liabilities of the Company increased from Rs. 17.86 billion in 2009 to Rs. 53.82 billion in 2014, primarily on account of retained GIDC obligations, increase in short term borrowings and customer advances which is fairly in line with the Company's growth and changes in its operating cycle.

Assets

Non-current Assets

Non-current assets of the Company including property, plant and equipment, intangible assets and long term investments, depicted a steady growth over the past 6 years. Property, plant and equipment valued at Rs. 20 billion registered an increase of Rs. 6.1 billion since 2009 primarily because of procurement of plant and machinery, catalysts and other fixed assets in addition to construction of office buildings.

Long term investments increased by Rs. 20.41 billion since 2009 to Rs. 28.13 billion in 2014, primarily on account of investments in AKBL of Rs. 10.46 billion, Rs. 1.04 billion in FFF and Rs. 2.43 billion in FFCEL.

Current Assets

Current assets include trade debts, stock, short term investments and cash & bank balances. With an aggregate balance of Rs. 35.88 billion at the end of 2014, the assets recorded an increase of Rs. 20.97 billion since 2009, mainly on account of increase in short term investments, under Company policy for placement of surplus funds in term deposits for generation of incremental income.

Profit and Loss

Revenue & Cost of sales

Sales revenue registered a compounded annual growth of 18% over the 6 years, on account of higher fertilizer sales and increase in selling prices because of inflation and rise in raw material costs. The Company earned

Six year analysis of Financial Position & Performance

record revenue of Rs. 81.24 billion in 2014, an improvement of 9% from 2013, while cost of sales increased by 26% from last year to Rs. 50.14 billion in 2014 and has more than doubled since 2009 mainly of account of increase in raw material cost, manpower cost and general inflation.

Gross Profit

Gross profitability has almost doubled over the last 6 years with the Company reporting a gross profit of Rs. 31.10 billion for 2014. The profitability was however 10% lower than last year, on account of higher cost of production, resulting in a gross profit margin of 38% compared with 46% last year.

Distribution Cost & Operating Profit

Distribution costs represented an average of 8% of the Company's sales revenue over the last six years. The rise in distribution costs by 4% in 2014 compared with last year led to a reduction in operating profits by 13%.

Cash Flows

Cash and cash equivalents as at December 31, 2014 were recorded at Rs. 15.28 billion in comparison with Rs. 13.01 billion for 2013, with an increase of 17% from last year and recorded an overall improvement over the past 6 years.
Tax and interest payments for the year were comparable with the trends for the previous years and the growth pattern of the Company. Further investment in FFF, incremental investment in FFCEL and acquisition of equity stake in AKBL during the previous years constitute the main factors for increase in cash outflow from investing activities, whereas dividend payments and repayment of long term loans were the main factors for the consistent decrease in net cash used for financing activities over the 6 years.

Ratio Analysis

Profitability Ratios

Rise in cost of sales owing to increased raw material cost and GIDC resulted in a reduction in gross and net profit margins for 2014, depicting a decrease of 8% and 5% respectively from last year. Consequently, return on equity (post tax) and capital employed were also lower by 9% and 4% respectively in comparison with 2013. Excluding exceptional performances in 2011 and 2012, profitability ratios of the Company were in concurrence with overall performance during the 6 years.

Operating performance / Liquidity

Current ratio for 2014 depicted a minimal decrease of 0.10 times as compared with 2013 due to increase in trade creditors, while 'cash to current liabilities' and 'cash flow from operations / sales' witnessed an increase of 0.04 times and 0.06 times respectively (excluding 2011 & 2012) over the historic average of 6 years.

Activity / Turnover ratios

Inventory turnover days were in line with past trends at 2 days, while debtor turnover days improved in comparison with last year and were consistent with the historic average of 3 days over the past 6 years (excluding 2011 & 2012). Number of days in payables stood at 124 days due to non-payment of GIDC under various Court decisions, however, number of days without considering GIDC payable remained at 3 days against average of 6 days over last six years. Total asset turnover ratio recorded at 0.94 times was in line with the historical 6 year average of the Company but recorded a decrease of 0.16 times as compared with 2013.

Investment / Market ratios

As a result of decline in profits, the Company's earnings per share was recorded at Rs. 14.28 per share. Price to earnings ratio however improved by 1.13 times as compared to 2013 as the market price of Company's share rose from Rs. 111.96 at the close of 2013 to Rs. 117.11 for the year ended December 31, 2014.

Dividend payout ratio for 2014 was recorded at 95.57% against an average of 97% for the 6 years, to maintain a steady stream of income for the shareholders. Consequently, the Company recorded a total cash dividend per share of Rs. 13.65 for the year.

Capital Structure Ratios

Financial leverage ratio of 0.62 times for 2014 is consistent with the average for the past 6 years. Debt to equity ratio improved to 9:91 indicating the lowest amount of long term debt in the last 6 years. Company's interest cover ratio doubled to 32 times in comparison with 15 times in 2009 as a result of lower finance cost to profitability ratio.

SWOT Analysis

S
Strengths

Solid financial position
State of the art production facilities
Fertilizer products are high in demand by agriculture sector
Development of new and eco-friendly formulations
Competent & committed human resource
Well diversified investment portfolio
Brand preference
Well established distribution network
Technical Competence

W
Weaknesses

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

O
Opportunities

Horizontal as well as vertical diversification
Increase in product line covering Macro and Micro nutrients
Less potential for new entrants in the industry
Absence of substitute products
Opportunity to export fertilizer

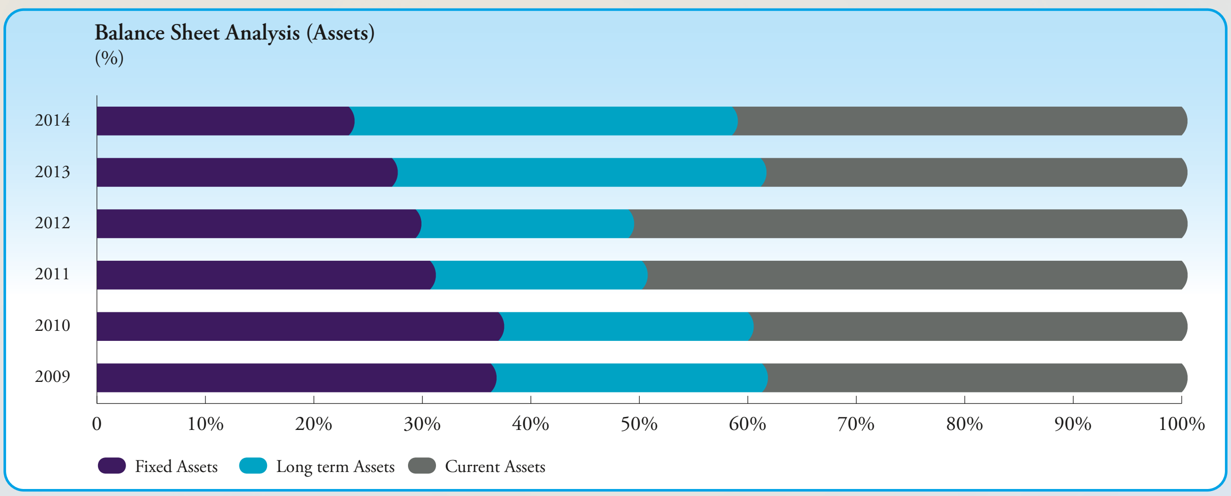
T
Threats

Inconsistent Government policies for fertilizer industry
Depleting natural gas reserves & gas curtailment
Excessive fertilizer imports by the Govt. and marketing at subsidized rates
Continuous increase in raw material/fuel prices and levies (GIDC)
Declining international fertilizer prices

Horizontal Analysis -
Balance Sheet

Rs. in Million

	2014 Rs	14 Vs. 13 %	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 %
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	-	12,722	-	12,722	49.99	8,482	25.01	6,785	-	6,785	37.49
Capital reserve	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	12,788	4.23	12,269	(4.78)	12,885	(8.22)	14,039	65.13	8,502	38.54	6,137	(14.65)
	25,670	2.06	25,151	(2.39)	25,767	13.61	22,681	46.83	15,447	18.08	13,082	6.49
NON - CURRENT LIABILITIES												
Long term borrowings	2,500	(41.59)	4,280	10.59	3,870	43.12	2,704	(29.20)	3,819	(16.60)	4,579	(14.86)
Deferred taxation	4,574	12.16	4,078	4.16	3,915	8.06	3,623	(4.83)	3,807	25.40	3,036	24.84
	7,074	(15.36)	8,358	7.36	7,785	23.04	6,327	(17.03)	7,626	0.14	7,615	(2.50)
CURRENT LIABILITIES												
Trade and other payables	37,904	73.44	21,854	35.52	16,126	30.79	12,330	36.65	9,023	12.75	8,003	33.52
Interest and mark - up accrued	30	36.36	22	(12.00)	25	(68.75)	80	(42.03)	138	(6.12)	147	(24.62)
Short term borrowings	11,603	65.76	7,000	40.28	4,990	(42.88)	8,736	54.87	5,641	(7.36)	6,089	95.54
Current portion of long term borrowings	1,780	21.92	1,460	1.81	1,434	(11.26)	1,616	(8.13)	1,759	(2.22)	1,799	142.13
Taxation	2,501	(37.22)	3,984	(12.30)	4,543	20.76	3,762	9.81	3,426	88.55	1,817	2.19
	53,818	56.81	34,320	26.56	27,118	2.24	26,524	32.71	19,987	11.94	17,855	51.01
TOTAL EQUITY AND LIABILITIES	86,562	27.62	67,829	11.80	60,670	9.25	55,532	28.96	43,060	11.69	38,552	20.78
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	20,094	8.95	18,444	3.51	17,819	4.50	17,051	7.01	15,934	13.86	13,994	9.92
Intangible assets	1,611	(2.48)	1,652	(1.61)	1,679	7.01	1,569	-	1,569	-	1,569	-
Log term investments	28,135	36.17	20,662	117.22	9,512	9.85	8,659	10.03	7,870	1.84	7,728	(0.22)
Long term Loans & advances	823	11.22	740	5.56	701	15.68	606	33.19	455	34.62	338	107.36
Long term deposits & prepayments	16	433.33	3	(40.00)	5	(44.44)	9	-	9	50.00	6	200.00
	50,679	22.12	41,501	39.66	29,716	6.53	27,894	7.96	25,837	9.32	23,635	6.42
CURRENT ASSETS												
Stores, spares and loose tools	3,315	2.16	3,245	4.71	3,099	26.64	2,447	0.29	2,440	(18.59)	2,997	(1.22)
Stock in trade	982	225.17	302	(31.67)	442	(30.61)	637	200.47	212	47.22	144	(44.19)
Trade debts	822	17.26	701	(80.59)	3,611	4,050.57	87	(75.70)	358	39.30	257	(48.19)
Loans and advances	1,059	14.98	921	35.84	678	56.94	432	28.57	336	158.46	130	(5.11)
Deposits and prepayments	26	(44.68)	47	30.56	36	(34.55)	55	10.00	50	31.58	38	(64.49)
Other receivables	1,072	35.70	790	34.13	589	(33.97)	892	44.34	618	(15.80)	734	(40.47)
Short term investments	27,433	44.69	18,960	1.12	18,750	(13.97)	21,794	81.31	12,020	77.60	6,768	92.71
Cash and bank balances	1,174	(13.80)	1,362	(63.67)	3,749	189.72	1,294	8.83	1,189	(69.11)	3,849	312.98
	35,883	36.29	26,328	(14.94)	30,954	12.00	27,638	60.47	17,223	15.46	14,917	53.64
TOTAL ASSETS	86,562	27.62	67,829	11.80	60,670	9.25	55,532	28.96	43,060	11.69	38,552	20.78

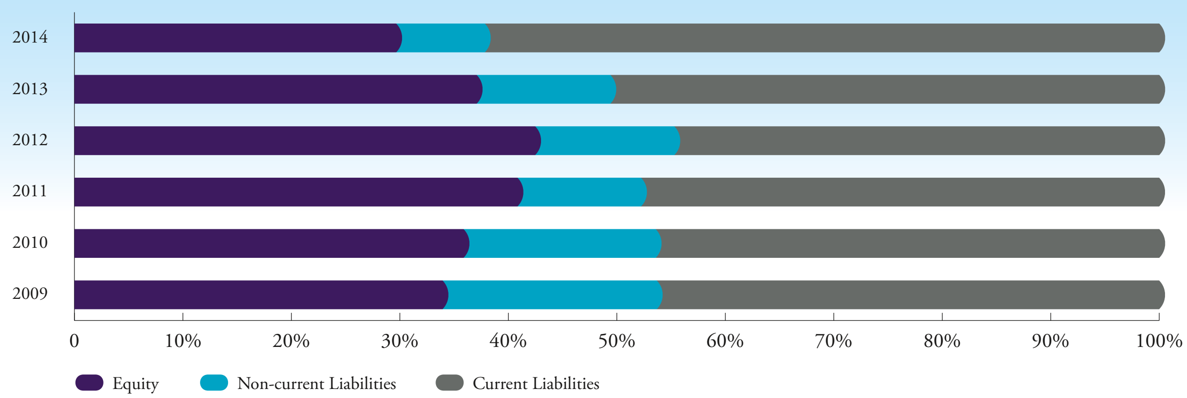


VERTICAL ANALYSIS -
BALANCE SHEET

Rs. in Million

	2014		2013		2012		2011		2010		2009	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	14.70	12,722	18.76	12,722	20.97	8,482	15.27	6,785	15.76	6,785	17.60
Capital reserve	160	0.18	160	0.24	160	0.26	160	0.29	160	0.37	160	0.42
Revenue reserves	12,788	14.77	12,269	18.09	12,885	21.24	14,039	25.28	8,502	19.74	6,137	15.91
	25,670	29.66	25,151	37.08	25,767	42.47	22,681	40.84	15,447	35.87	13,082	33.93
NON - CURRENT LIABILITIES												
Long term borrowings	2,500	2.89	4,280	6.31	3,870	6.38	2,704	4.87	3,819	8.87	4,579	11.88
Deferred liabilities	4,574	5.28	4,078	6.01	3,915	6.45	3,623	6.52	3,807	8.84	3,036	7.87
	7,074	8.17	8,358	12.32	7,785	12.83	6,327	11.39	7,626	17.71	7,615	19.75
CURRENT LIABILITIES												
Trade and other payables	37,904	43.79	21,854	32.22	16,126	26.58	12,330	22.20	9,023	20.95	8,003	20.76
Interest and mark - up accrued	30	0.03	22	0.03	25	0.04	80	0.14	138	0.32	147	0.38
Short term borrowings	11,603	13.40	7,000	10.32	4,990	8.22	8,736	15.73	5,641	13.10	6,089	15.80
Current portion of long term borrowings	1,780	2.06	1,460	2.15	1,434	2.36	1,616	2.91	1,759	4.09	1,799	4.67
Taxation	2,501	2.89	3,984	5.87	4,543	7.49	3,762	6.78	3,426	7.96	1,817	4.71
	53,818	62.17	34,320	50.60	27,118	44.69	26,524	47.76	19,987	46.42	17,855	46.32
TOTAL EQUITY AND LIABILITIES	86,562	100.00	67,829	100.00	60,670	100.00	55,532	100.00	43,060	100.00	38,552	100.00
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	20,094	23.21	18,444	27.19	17,819	29.37	17,051	30.69	15,934	37.00	13,994	36.30
Intangible assets	1,611	1.86	1,652	2.44	1,679	2.77	1,569	2.83	1,569	3.64	1,569	4.07
Log term investments	28,135	32.50	20,662	30.46	9,512	15.68	8,659	15.59	7,870	18.28	7,728	20.04
Long term Loans & advances	823	0.95	740	1.09	701	1.16	606	1.09	455	1.06	338	0.88
Long term deposits & prepayments	16	0.02	3	0.00	5	0.01	9	0.02	9	0.02	6	0.02
	50,679	58.55	41,501	61.19	29,716	48.98	27,894	50.23	25,837	60.00	23,635	61.31
CURRENT ASSETS												
Stores, spares and loose tools	3,315	3.83	3,245	4.78	3,099	5.11	2,447	4.41	2,440	5.67	2,997	7.77
Stock in trade	982	1.13	302	0.45	442	0.73	637	1.15	212	0.49	144	0.37
Trade debts	822	0.95	701	1.03	3,611	5.95	87	0.15	358	0.83	257	0.67
Loans and advances	1,059	1.22	921	1.36	678	1.12	432	0.78	336	0.78	130	0.34
Deposits and prepayments	26	0.03	47	0.07	36	0.06	55	0.10	50	0.12	38	0.10
Other receivables	1,072	1.24	790	1.16	589	0.97	892	1.60	618	1.44	734	1.90
Short term investments	27,433	31.69	18,960	27.95	18,750	30.90	21,794	39.25	12,020	27.91	6,768	17.56
Cash and bank balances	1,174	1.36	1,362	2.01	3,749	6.18	1,294	2.33	1,189	2.76	3,849	9.98
	35,883	41.45	26,328	38.82	30,954	51.02	27,638	49.77	17,223	40.00	14,917	38.69
TOTAL ASSETS	86,562	100.00	67,829	100.00	60,670	100.00	55,532	100.00	43,060	100.00	38,552	100.00

Balance Sheet Analysis (Equity & Liabilities)
(%)



Horizontal and Vertical Analysis -
Profit and Loss Account

Horizontal Analysis

Rs. in Million

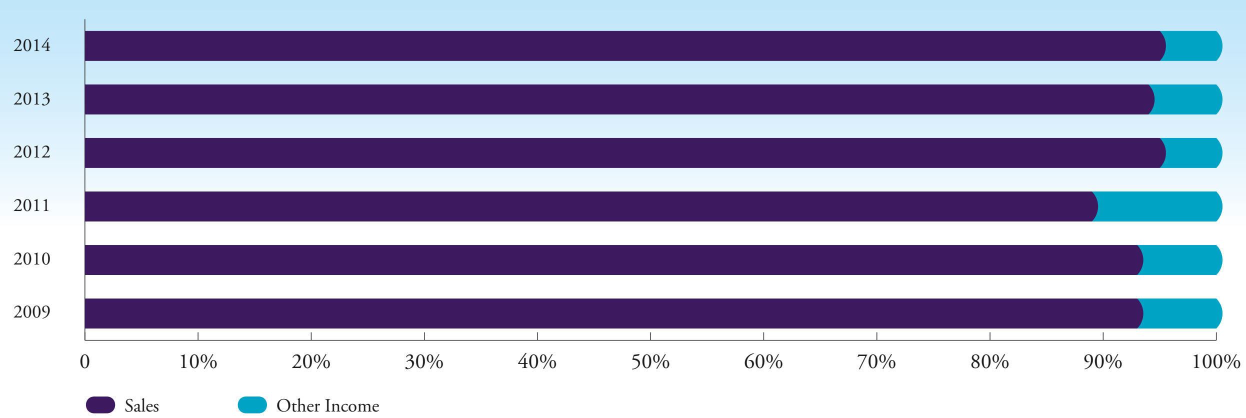
	2014 Rs	14 Vs. 13 %	2013 Rs	13 Vs. 12 %	2012 Rs	12 Vs. 11 %	2011 Rs	11 Vs. 10 %	2010 Rs	10 Vs. 09 %	2009 Rs	09 Vs. 08 %
Sales	81,240	9.07	74,481	0.21	74,323	34.59	55,221	23.06	44,874	24.09	36,163	18.21
Cost of Sales	50,137	25.50	39,949	4.31	38,300	83.50	20,872	(17.53)	25,310	23.37	20,515	12.50
Gross profit	31,103	(9.93)	34,532	(4.14)	36,023	4.87	34,349	75.57	19,564	25.03	15,648	26.62
Distribution cost	6,431	4.28	6,167	11.04	5,554	27.04	4,372	10.85	3,944	24.22	3,175	18.96
	24,672	(13.02)	28,365	(6.91)	30,469	1.64	29,977	91.91	15,620	25.23	12,473	28.73
Finance cost	849	12.30	756	(24.32)	999	27.10	786	(27.69)	1,087	15.03	945	35.97
Other expenses	2,303	(9.97)	2,558	(4.77)	2,686	1.17	2,655	92.95	1,376	8.18	1,272	41.96
	21,520	(14.10)	25,051	(6.47)	26,784	0.93	26,536	101.69	13,157	28.29	10,256	26.65
Other income	4,721	8.08	4,368	2.34	4,268	(35.63)	6,630	110.28	3,153	12.57	2,801	44.16
Net profit before taxation	26,241	(10.80)	29,419	(5.26)	31,052	(6.37)	33,166	103.35	16,310	24.91	13,057	30.04
Provision for taxation	8,070	(13.08)	9,284	(8.91)	10,192	(4.52)	10,674	102.12	5,281	24.73	4,234	20.42
Net profit after taxation	18,171	(9.75)	20,135	(3.48)	20,860	(7.26)	22,492	103.94	11,029	25.00	8,823	35.22

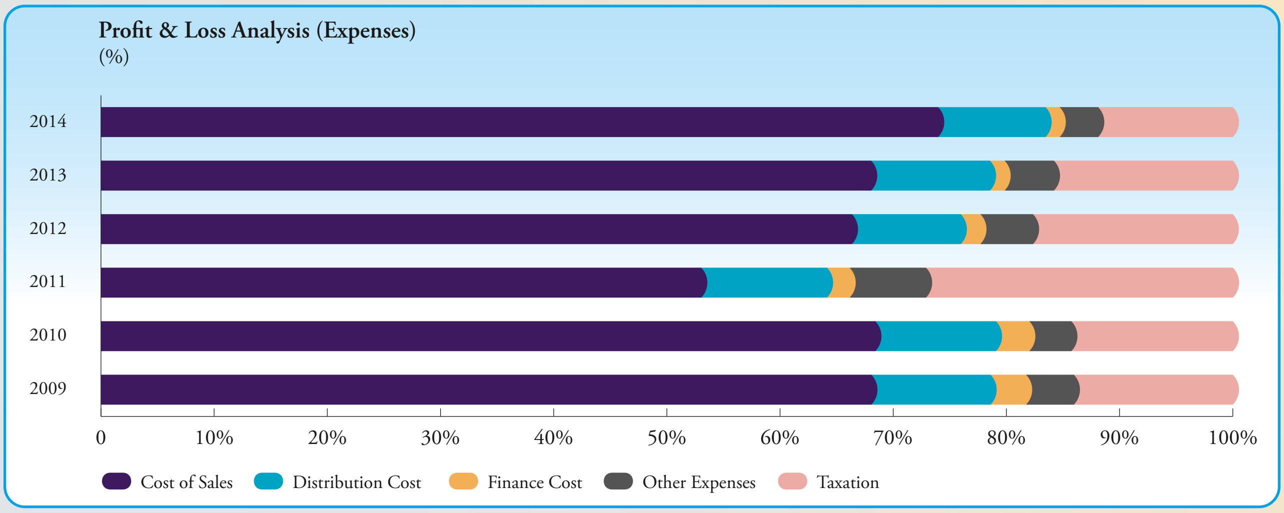
Vertical Analysis

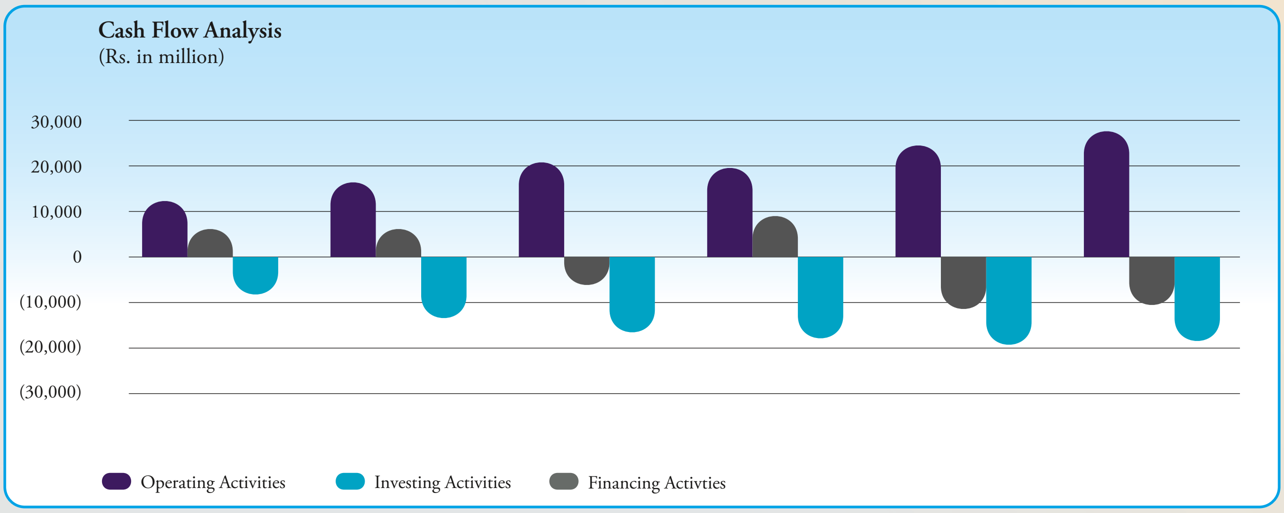
Rs. in Million

	2014		2013		2012		2011		2010		2009	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Sales	81,240	100.00	74,481	100.00	74,323	100.00	55,221	100.00	44,874	100.00	36,163	100.00
Cost of Sales	50,137	61.71	39,949	53.64	38,300	51.53	20,872	37.80	25,310	56.40	20,515	56.73
Gross profit	31,103	38.29	34,532	46.36	36,023	48.47	34,349	62.20	19,564	43.60	15,648	43.27
Distribution cost	6,431	7.92	6,167	8.28	5,554	7.47	4,372	7.92	3,944	8.79	3,175	8.78
	24,672	30.37	28,365	38.08	30,469	41.00	29,977	54.29	15,620	34.81	12,473	34.49
Finance cost	849	1.05	756	1.02	999	1.34	786	1.42	1,087	2.42	945	2.61
Other expenses	2,303	2.83	2,558	3.43	2,686	3.61	2,655	4.81	1,376	3.07	1,272	3.52
	21,520	26.49	25,051	33.63	26,784	36.04	26,536	48.05	13,157	29.32	10,256	28.36
Other income	4,721	5.81	4,368	5.86	4,268	5.74	6,630	12.01	3,153	7.03	2,801	7.75
Net profit before taxation	26,241	32.30	29,419	39.50	31,052	41.78	33,166	60.06	16,310	36.35	13,057	36.11
Provision for taxation	8,070	9.93	9,284	12.46	10,192	13.71	10,674	19.33	5,281	11.77	4,234	11.71
Net profit after taxation	18,171	22.37	20,135	27.03	20,860	28.07	22,492	40.73	11,029	24.58	8,823	24.40

Profit & Loss Analysis (Income)
(%)







QUARTERLY ANALYSIS

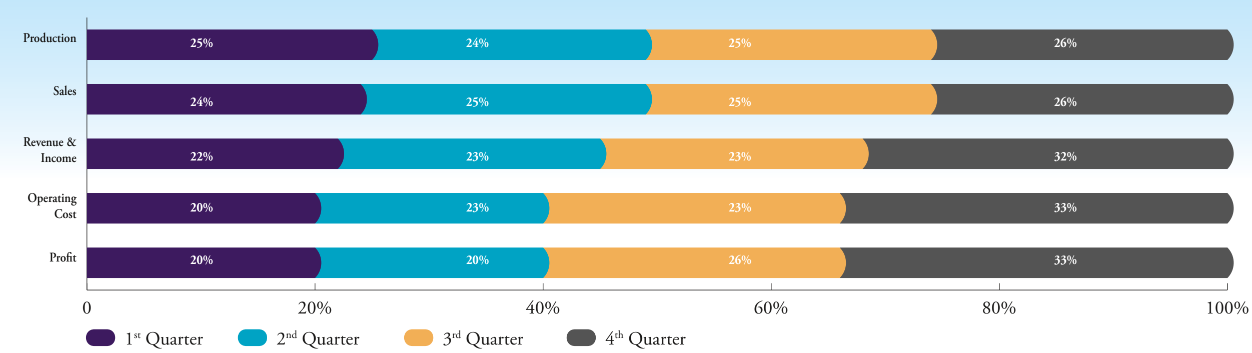
Rs. in Million

	YEAR 2014			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Sales	17,573	18,423	19,042	26,202
Cost of sales	10,091	11,588	11,579	16,879
Gross profit	**7,482**	**6,835**	**7,463**	**9,323**
Distribution Cost	1,490	1,534	1,586	1,821
	5,992	**5,301**	**5,877**	**7,502**
Finance cost	217	212	176	244
Other expenses	591	452	589	671
	5,184	**4,637**	**5,112**	**6,587**
Other income	1,536	281	1,672	1,232
Net profit before taxation	**6,720**	**4,918**	**6,784**	**7,819**
Provision for tax	2,162	1,314	1,984	2,610
Net profit after taxation	**4,558**	**3,604**	**4,800**	**5,209**

Quarterly Analysis

Quarter	Production	Sales, Revenues & Income	Operating costs *(cost of sales and distribution costs)*	Profit	Net assets
Q1	Aggregate 'Sona' urea production of 594 thousand tonnes by the three Plants was 4% higher than the corresponding quarter, with an improved operating efficiency of 118% against 113% last year.	'Sona' urea sales for the period at 574 thousand tonnes were higher by 2% compared to the corresponding period of last year, due to increase in selling price of urea bag, yielding aggregate highest ever first quarterly sales revenue of Rs. 17.57 billion. Dividend income of Rs. 1.14 billion was received during the first quarter.	Incremental GIDC imposition on old plants effective January 01, 2014 resulted in an increase in cost of production, which was not allowed to be fully passed on, leading to a competitive disadvantageous position for the Company.	Foregoing in view, the revenue growth of the Company was curtailed resulting in lower margins and reduced profitability as profits for the first quarter were 7% lower as compared to the same quarter of last year, mainly because of increase in operating costs comprising of incremental levy of GIDC of Rs. 103/ MMBTU on feed gas and Rs. 50/MMBTU on fuel gas, effective January 1, 2014.	The asset base of the Company reduced by 11% to Rs. 60.28 billion during the first quarter as short term investments were liquidated to pay off short term borrowings and final dividend for the year 2013.
Q2	'Sona' urea production for the second quarter stood at 580 thousand tonnes, marginally down by 2% compared to the first quarter of 2014, owing to plant maintenance shutdown and gas curtailment.	Urea sales for the quarter were higher by 5% compared to the previous quarter of 2014 as 600 thousand tonnes were sold. Sales revenue at Rs. 18.42 billion increased by 5% compared to the first quarter mainly because of higher urea offtake, whereas no dividend income was received during the second quarter.	Notwithstanding higher revenues, margins of the Company declined owing to lower productivity, absorption of the cost of GIDC and other operating expenses due to inflation. The Company reported cost of sales of Rs. 11.59 billion, 15% higher than the first quarter while distribution cost at Rs. 1.53 billion marginally increased by 3% on account of general inflation.	As compared with first quarter of 2014, profitability was down by 21% mainly because of absence of dividend income in the quarter.	Net assets increased by 19% to Rs. 71.75 billion in comparison with the first quarter of 2014, primarily due to an increase in long and short term investments as the Company invested Rs. 1.41 billion in financial instruments and injected further equity into FFF.

Quarterly Analysis (%)



Quarter	Production	Sales, Revenues & Income	Operating costs *(cost of sales and distribution costs)*	Profit	Net assets
Q3	'Sona' urea production for the third quarter at 594 thousand tonnes was 1% higher than average output for the first two quarters of 2014 because of lower maintenance shutdown days and improved production efficiencies. In addition to production of urea, the Company imported around 69 thousand tonnes of DAP during the quarter in view of demand supply gap.	Urea offtake recorded in the third quarter was almost in line with the average offtake during the first two quarters with aggregate sales of 589 thousand tonnes. Sales revenue for the quarter at Rs. 19.04 billion registered an increase of 6% over the average revenue for the previous quarters because of increase in sale price of urea bag, whereas a dividend income of Rs. 1.09 billion was reported for the third quarter, including first ever dividend receipt of Rs. 544 million from AKBL.	Cost of sales at Rs. 11.58 billion increased by 7% over the average for the previous quarters mainly because of planned repair and maintenance cost of Plant III - Mirpur Mathelo and further imposition of GIDC of Rs. 50/MMBTU on fuel gas. Distribution costs at Rs. 1.59 billion showed a minimal increase of 5% over the previous quarters mainly because of rise in transportation costs.	As a result of increased sales revenue, net margin of the Company at Rs. 4.8 billion increased by 18% as compared to the average for the previous two quarters.	The third quarter recorded further equity injection of Rs. 350 million into FFF bringing the total investment to Rs. 1,036 million. The Company also increased investments in financial instruments by Rs. 2.56 billion during the quarter raising the asset base to Rs. 73.54 billion.
Q4	Urea Production during the last quarter of 2014 was the highest during all the four quarters with an output of 635 thousand tonnes, 8% higher than the previous three quarters, resulting in aggregate yearly production of 2,403 thousand, in line with the output for the previous year. The Company also imported 54 thousand tonnes of DAP during the quarter, resulting in total DAP imports during the year to 123 thousand tonnes.	Urea sales for the quarter stood at 608 thousand tonnes higher by 3% in comparison with the average for the previous three quarters. The entire stock of imported DAP was liquidated during the quarter and the Company achieved sales revenue of Rs. 26.20 billion, which included Rs. 7.63 billion from marketing of DAP. Aggregate revenue was up by 43% compared to the average for the previous three quarters, bringing the total revenue for the year 2014 to a record level of Rs. 81.24 billion, 9% higher than last year.	Cost of sales of Rs. 16.88 billion was 52% higher than the average for the first three quarters of 2014, mainly because of additional cost of imported DAP. The Company recorded an aggregate cost of sales of Rs. 50.14 billion, 26% higher than 2013. Distribution costs at Rs. 1.82 billion registered an increase of 18.49% over the three quarters' average on account of increased warehousing costs of DAP, whereas annual distribution costs were recorded at Rs. 6.43 billion, marginally higher by 4% compared to 2013.	The fourth quarter registered an increase in profits by 21% to Rs. 5.2 billion as compared with the previous three quarters' average, and the Company recorded annual profits of Rs. 18.17 billion for the year 2014, lower by 10% only compared to 2013, despite adverse market conditions.	Company's asset base stood at Rs. 86.56 billion as at December 31, 2014, an increase of Rs. 13.02 billion from the third quarter of 2014, with net assets increasing to Rs. 25.67 billion and registering a 4% increase from the previous quarter, primarily on account of an increase in long term investments, financial instruments and available for sale investments.

Directors' Report

Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar (Retired)
Chairman

Chairman's Review

"Characteristics of endeavoring in innovative technologies and forging ahead with unparalleled determination have made FFC one of the preeminent companies of Pakistan"

I feel privileged to assume responsibilities as Chairman of FFC's Board of Directors post retirement of Lt Gen Muhammad Mustafa Khan HI(M) (Retired), whose contributions led to immense progress and growth of the Company.

I am very pleased to inform that the Company has attained all its major targets for the year 2014 in terms of profitability, diversification and good governance besides maintaining the stakeholders' trust in our product quality and business practices.

As we consolidate our diversification initiatives undertaken recently, we remain focused on exploring further avenues for growth and with a view to establishing an international foothold, the Company is evaluating the prospects for setting up of an offshore fertilizer plant in Tanzania, in collaboration with internationally reputed partners.

Post divestment of 1% equity share of FFBL, the status of FFBL and AKBL has now changed to associated entities of FFC. The Board is confident that the Company's stream of income from these organizations shall remain fairly consistent with the earlier trends.

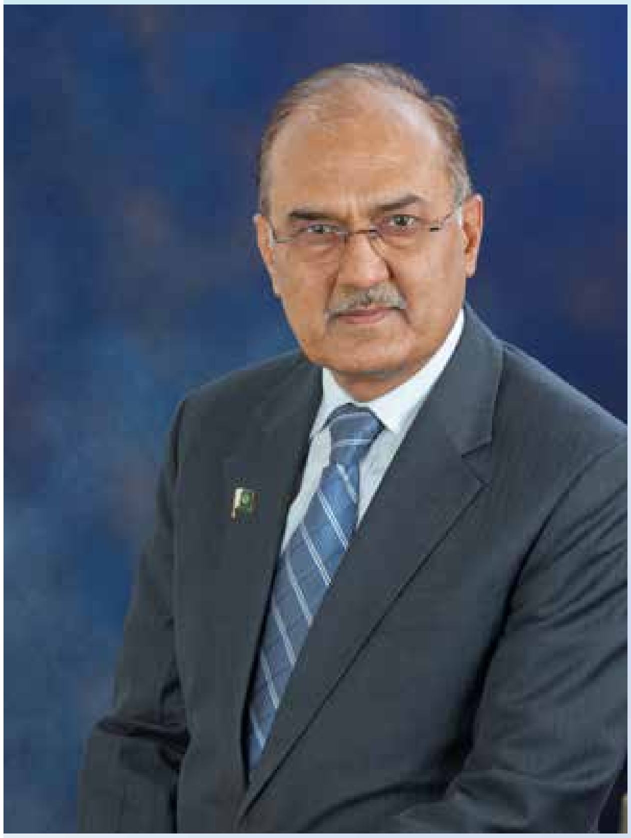
The shareholders would be pleased to note that besides immense contribution to the national economy including agricultural sector and import substitution, FFC extends significant support to the National Exchequer by way of taxes / levies, and in recognition, the Company has been awarded the fifth highest taxpayer position. The total contribution for the year 2014 amounts to over Rs. 45 billion, which is more than twice the amount of net earnings for the period.

Based on strong Company performance with net earnings of Rs. 18.17 billion, the Board is pleased to announce final dividend of Rs. 3.50 per share, aggregating to annual payout of around 96%, including interim distributions of Rs. 10.15 per share.

Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar (Retired)
Chairman

Rawalpindi
January 30, 2015

Directors' Report



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

CE & MD's Remarks

"Despite numerous economic impediments, the Company remained focused on optimizing shareholders' return while looking for new growth horizons."

On behalf of the Management of the Company and on my own behalf, I welcome Lt Gen Khalid Nawaz Khan HI(M) (Retired) as the new Chairman of FFC Board of Directors.

I am pleased to report net earnings of Rs. 18.17 billion with per share earnings of Rs. 14.28, marginally down from last year because of higher gas cost (GIDC), negatively impacting the margins for the period owing to substantial absorption of the incremental costs by the Company.

We are however confident that as a result of our expansion strategies and measures taken for increased production, operational efficiencies, besides economizing on costs, the revenues are Insha Allah likely to increase over the years.

FFC Energy Limited attained first full year of successful operations in May 2014 and has further been able to achieve Tariff True-up, impacting positively on the future cashflows and profitability of the Company. The project operated at 97% of average availability factor and has to date supplied around 265 GWh of electricity to the national grid valued at over Rs. 4.20 billion. Construction work on the Individually Quick Freeze (IQF) Plant of Fauji Fresh n Freeze Limited, is progressing as per plan with scheduled inauguration during March 2015.

The Company is evaluating the proposal for installation of Coal Fired Boilers to conserve gas, being used for power generation, which can then be utilized for increased production, impacting positively on the net earnings.

As a part of our diversification strategy, we are also exploring the potential of coal mining in the Thar Coal area. In this regard, the Company has received encouraging response from the Government of Sindh for initial allocation of a coal block in the Thar area. Further decision on the project shall be taken after detailed technical, geographical & commercial evaluation and feasibility studies.

Based on persistent FFC efforts, Pakistan has been allocated permanent representation on the Board of Directors of International Fertilizer Industry Association (IFA), with FFC CE&MD being appointed as a Director from South Asia. FFC has also been conferred with 'Taxpayers Privilege and Honour Card' in recognition of Company's tax compliant culture and significant contributions to the National Exchequer.

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

Rawalpindi
January 30, 2015

Financial Review

Macro-economic Overview

Pakistan's economy witnessed broad based economic development in 2014 with GDP progression accelerating to 4.1% compared with 3.7% in 2013, which was also the highest during the last six years. The growth momentum was mainly supported by industrial and services sectors of the economy.

Agriculture Sector

Agriculture is a key sector of the economy as it is the main source of livelihood for the rural population, in addition to providing raw materials to main industrial units besides its significant contribution towards export earnings of the Country. The sector accounts for 21% of GDP and absorbs around 44% of the Country's work force.

The performance of this sector in the outgoing fiscal year remained moderate, recording a growth of 2.1% compared with 2.9% last year due to a drop in crop production owing to poor weather conditions.

Fiscal Development

Pakistan's fiscal deficit reduced to 3.2% against 4.7% in 2013 on account of reforms initiated for improvement of the tax system in addition to enhancement of the tax to GDP ratio by broadening the tax base.

Investments

Total investments classified into 'Fixed' and 'Private' were recorded at 14% of GDP, down from 14.6% last year whereas total Foreign Direct Investments (FDI) rose to US $ 4.40 billion during 2014, about three times the size of US $ 1.58 billion FDI during 2013.

Money and Credit

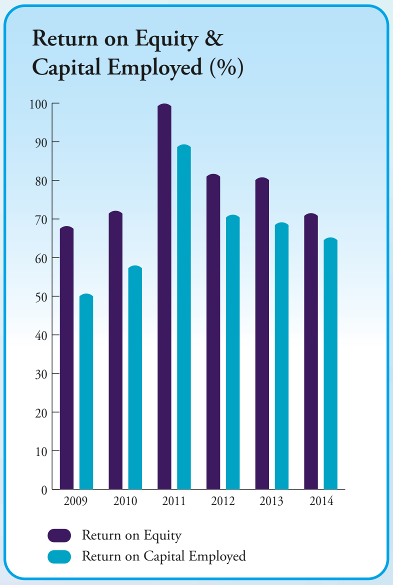
In order to deal with the balance of payment position and stabilize the inflationary outlook, the State Bank of Pakistan had tightened its monetary policy during November 2013 when it increased the discount rate to 10%. However, on account of shrinking budget deficits and contained government borrowing the discount rate was reduced to 9.5% in November 2014.

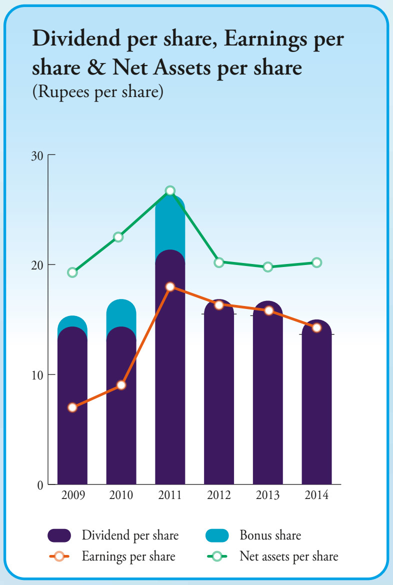
Inflation

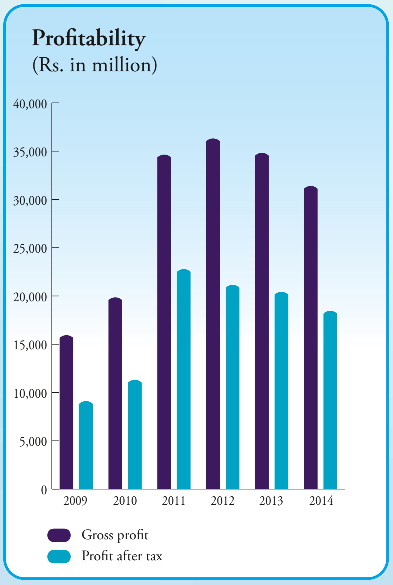
Inflation was recorded at an average of 7.2% during 2014, a decline of 0.5% from last year. Reaching a high of 9.2% in April 2014 as a result of increasing food prices due to demand supply gap and rising imported food prices due to increase in global market. However, appreciation of the Pak Rupee and reduction in fuel prices reduced inflation to 4.3% by December 2014.

Currency Appreciation

The Pakistani Rupee recorded an appreciation of about 4.5% against the US Dollar during 2014 owing to reduction in international oil prices, increase in Foreign Direct Investment and extended fund facility of US $ 6.6 billion by the IMF against US $ 1.6 billion in 2013.







FFC Performance

Profit and Loss Analysis

FFC recorded net earnings of Rs. 18.17 billion during the year 2014, with an overachievement against targets except for the increase in GIDC cost, which was beyond the Company's control and had to be significantly absorbed by the Company, resulting in net profitability decline by around 10% compared to last year.

The achievement was supported by production efficiencies and marketing operations, in addition to a strong return of around Rs. 1.86 billion from treasury operations. Analysis of operating performance of the Company is presented in the following sections.

Aggregate urea output was recorded at 2,403 thousand tonnes by three Plants, in line with last year, effectively mitigating gas deficiencies through efficiency improvements, attaining **capacity utilization** of 117%.

Despite availability of imported product, **Sona urea sales** were recorded at 2,371 thousand tonnes and the Company captured a combined FFC/FFBL **urea market share** of 46% compared to 45% last year owing to customer brand preference, whereas the joint **DAP market share** of FFC & FFBL stood at 49%. (Source: NFDC)

The Company earned record **turnover** of Rs. 81.24 billion, through incremental revenue generation of Rs. 6.76 billion mainly from higher marketing of 123 thousand tonnes of DAP compared to 73 thousand tonnes last year.

Persistent gas shortage, increased GIDC costs and incremental DAP sales were the major factors behind the increase in **cost of sales** by 26% from the previous year. As a result, **gross profit** of Rs. 31.10 billion went down by 10% compared to last year.

Distribution costs were recorded at Rs. 6.43 billion, with a marginal increase of 4% from last year mainly due to increased transportation costs and general inflation.

The rise in bank margins and KIBOR rates resulted in increased **finance costs** which were however curtailed to Rs. 849 million with an increase of 12% only compared to last year, through effective working capital management.

Maintenance of a dynamic and flexible investment portfolio resulted in increased **investment income** of Rs. 2.14 billion, 14% higher than last year, with a contribution of 12% to our net profitability. Other income included a gain of Rs. 282 million on divestment of 1% equity stake in FFBL to Fauji Foundation, at market price prevailing on the transaction date.

The decline in dividend receipts from FFBL was compensated by incremental income from Fauji Cement in addition to the first ever dividend receipt of Rs. 544 million from Askari Bank, resulting in 3% higher aggregate **dividend income** of Rs. 2.58 billion in comparison with 2013.

The results of the above operations translated into **per share earnings** of **Rs. 14.28** as compared to Rs. 15.83 during 2013, owing to increased levy of GIDC, which was significantly absorbed by the Company, impacting negatively on profitability for the year.

Financial Position Analysis

Company **reserves** depicted a slight improvement mainly because of higher un-appropriated profit of Rs. 5.7 billion as compared to Rs. 5.5 billion last year, in

Financial Review

addition to net valuation gain of around Rs. 293 million on available for sale investments which is required to be reported in the Statement of Comprehensive Income. Company's **net worth** thus stood at Rs. 25.7 billion as at December 31, 2014, 2% higher than 2013 with a **breakup value** of Rs. 20.18 per share.

Retention of GIDC remittances under Court rulings was the main cause for the increase in **trade payables** to Rs. 37.90 billion in 2014, compared with Rs. 21.85 billion last year.

Contingencies include a penalty of Rs. 5.5 billion imposed by the Competition Commission of Pakistan (CCP) in 2013 on grounds of alleged unreasonable increase in urea prices during 2011, whereas the factors including production shortfall due to gas curtailment, delayed imports and other market dynamics, were ignored by CCP. The Company has filed an appeal before the Competition Appellate Tribunal and is confident of a favourable decision.

Financial commitments of the Company stood at an aggregate of Rs. 6.5 billion at the close of 2014 in respect of equity investments, purchase of goods and services and capital expenditure. Details of these commitments are disclosed in the relevant notes to the financial statements.

Increase of 9% in **property, plant & equipment** mainly includes procurement of plant and machinery including catalysts for Plant III at Mirpur Mathelo, acquisition of land for office buildings in addition to other fixed assets.

Long term loans and advances witnessed increase of 11% to Rs. 823 million from last year on account of additional disbursements of loans to Company employees during the year, under their terms of employment.

Trade debts showed a 17% increase to Rs. 822 million, whereas **stock in trade** stood at Rs. 982 million at the close of the year, primarily representing unsold urea stock of around 37 thousand tonnes, which however was also liquidated in January 2015.

The Company's **asset base** thus recorded an increase of Rs. 18.73 billion to Rs. 86.56 billion compared to last year, primarily due to an increase in long term investments in financial instruments, additional equity injection in Fauji Fresh n Freeze and retention of GIDC funds, invested in short term profitable investments.

Liquidity Position Analysis

Company's working capital comprises of **Short term investments** and **Cash & bank balances** which stood at an aggregate of Rs. 28.61 billion at the close of 2014, with an improvement of Rs. 8.28 billion over last year, mainly because of placement of surplus funds in term deposits for generation of incremental income for the Company.

Liquidity and Treasury Management

Strategy to overcome liquidity problems

FFC maintains a strong liquidity position through an effective liquidity management system to ensure availability of sufficient working capital besides identification and mitigation of cashflow risks. Further, the Company has implemented an efficient Treasury Management System for generation of incremental cashflows and revenues for the Company.

The main working capital requirements of the Company are managed through internal liquidity generation sources comprising of sales revenues and dividend receipts in addition to investment income, with minimal recourse to external means of financing. Sales revenue receipts are managed through optimized control of customer credit, in addition to securing advance customer orders. Regular forecasting of cash flows is also carried out to maintain an optimum working capital cycle.

Liquidity generation from dividends is attributable to Company's portfolio of equity investments comprising of FFBL, FCCL, PMP and AKBL.

Treasury Management

"FFC maintains a dynamic and flexible portfolio of investments to augment profitability and increase shareholders' return, through placement of cash surpluses in money market and government securities, in compliance with applicable statutory requirements."

Treasury Management System comprises of the following objectives / tools while remaining within acceptable level of risk and exposure:

- Periodic evaluation of planned revenues from sales / investment income and comparison with the timing and quantum of working capital requirements
- Identification of cash surpluses for investment in suitable opportunities offering optimal returns while providing preservation of invested capital
- Matching of maturity dates of investments with working capital / other funding requirements
- Maintenance of a fairly diversified portfolio to earn maximum returns, remaining within prudent levels of exposure
- Investment options may include short / long term placements, with high credit rated institutions

The placement of funds is arranged with target maturity dates to ensure availability of sufficient liquidity for working capital / investment requirements, besides generation of incremental income.

Repayment of debts and recovery of losses

The Company carried a minimal long term financing balance of Rs. 2.50 billion at the close of 2014, down by Rs. 1.80 billion compared to last year as no additional funds were borrowed on long term basis during the year.

Short term borrowings were recorded at Rs. 11.60 billion, representing an increase of Rs. 4.60 billion from last year, whereas short term investments increased by Rs. 8.47 billion to Rs. 27.43 billion, resulting in net surplus liquidity of Rs. 3.87 billion.

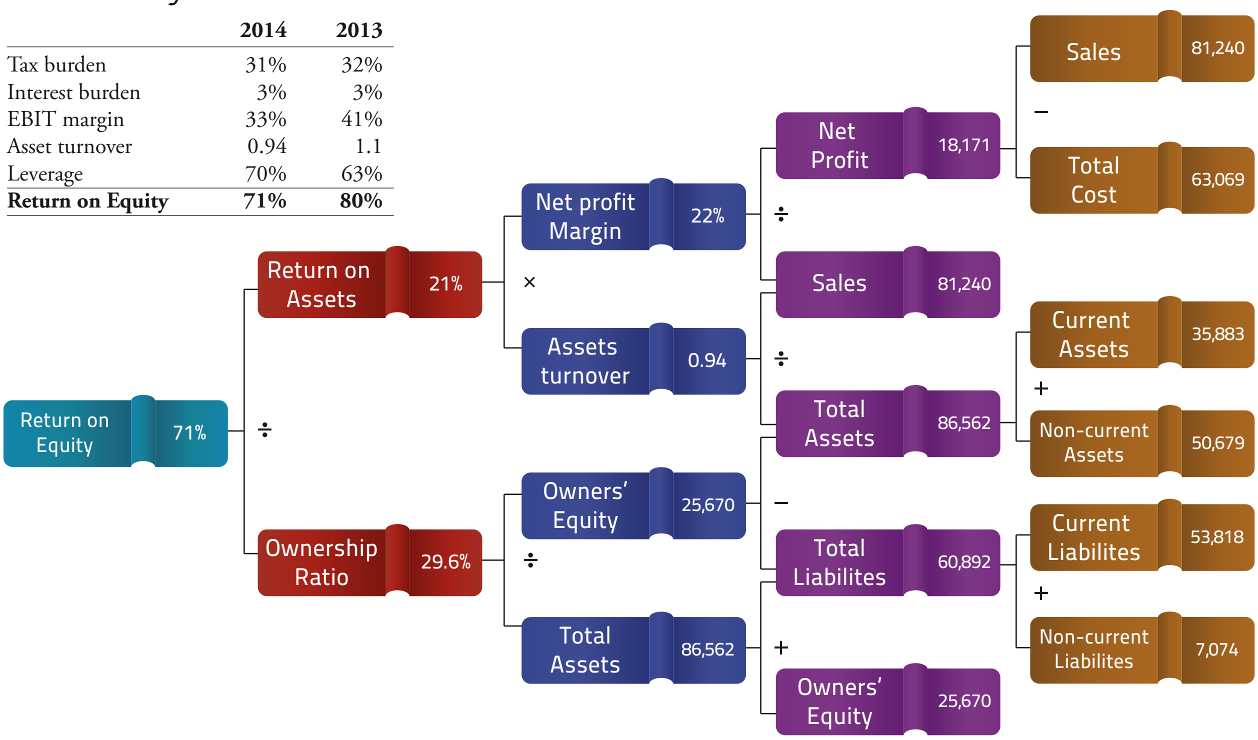
Cash flow projections for the future also indicate availability of sufficient funding for timely retirement of long term debt, in addition to generation of incremental income / liquidity through efficient placement of surplus funds, for sustained Company profitability.

DuPont Analysis

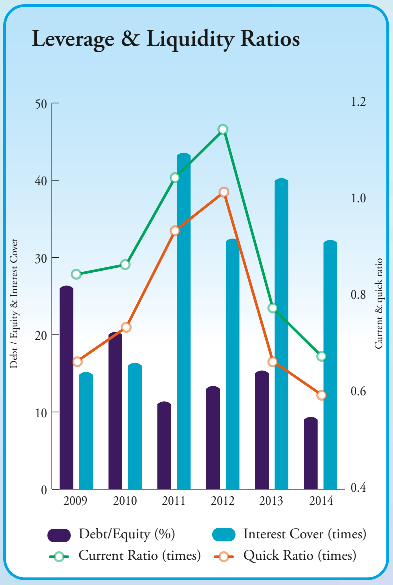
Net profit margin of the Company decreased to 22% during the year as compared to 27% in 2013 as a result of increase in raw material cost and GIDC. Asset turnover and ownership ratio reduced to 0.94 and 9.6% respectively in 2014 owing to an increase in the asset base of the Company, primarily on account of an increase in long term investments. Consequently, the Company reported a return on equity of 71% in 2014 compared to 80% last year.

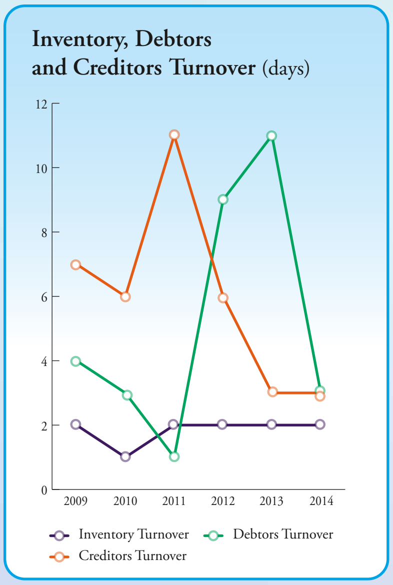
DuPont Analysis

	2014	2013
Tax burden	31%	32%
Interest burden	3%	3%
EBIT margin	33%	41%
Asset turnover	0.94	1.1
Leverage	70%	63%
Return on Equity	**71%**	**80%**



Financial Review





Cashflows & Financing Arrangements

Cashflow Analysis

Analysis of FFC cash flows for the year 2014 is presented through the following major liquidity generation activities:

Operating activities

Net cash generation from operations stood at Rs. 29 billion, up by 15% compared to last year, after adjustment of finance cost of Rs. 753 million and income tax payments aggregating to Rs. 9.35 billion during the year.

Investing activities

The Company incurred fixed capital expenditure of Rs. 3.48 billion during the year, representing an increase of Rs. 1.18 billion from last year and comprised mainly of additions to other items of plant and machinery in addition to catalysts procurement.

Cashflows on account of interest income increased by 3% to Rs. 1.28 billion as compared to last year on account of efficient portfolio management. The Company also injected additional equity of Rs. 450 million in FFF, resulting in aggregate investment of FFC in FFF to Rs. 1,036 million.

The Company sold 1% equity stake in FFBL during the year to Fauji Foundation against an aggregate consideration of Rs. 375 million, resulting in conversion of FFBL status from a subsidiary to an associated company of FFC.

Dividends receipts during the year stood at Rs. 2.58 billion, in line with last year whereas investment in financial instruments on long term basis increased by Rs. 7.1 billion during the year.

Consequently, net cash used in investing activities stood at Rs. 7.7 billion, down by around Rs. 1 billion from 2013.

Financing activities

The Company repaid long term loan installments of Rs. 1.46 billion whereas payments on account of dividends to shareholders aggregated to Rs. 17.58 billion during 2014, resulting in net cash utilization of Rs. 19.04 billion in financing activities during the year.

Cash and cash equivalents at year end

The Company recorded a net increase in cash and cash equivalents of Rs. 2.3 billion during 2014 with a balance of Rs. 15.28 billion, as compared to a net decrease recorded in cash and cash equivalents last year.

Financing Arrangements

The Company carries an efficient liquidity management system with minimal reliance on external financing, to minimize financing costs.

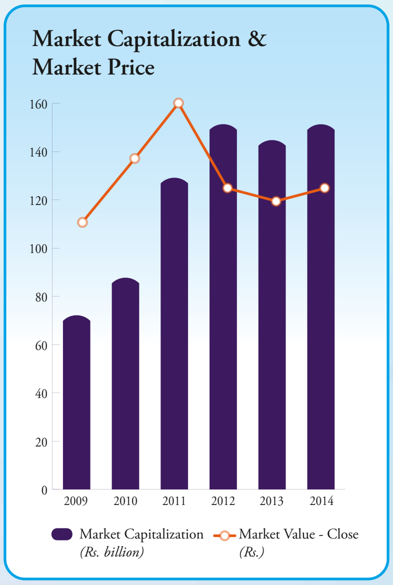
External financing is arranged after extensive cash flow forecasting for working capital, investment or asset acquisition requirements, with a higher reliance on short term debt as compared to long term financing.

Because of a strong liquidity position, the Company carried a minimal long term debt of Rs. 2.5 billion, against an aggregate debt raising capacity of over Rs. 77 billion (at three times the Company's net worth of Rs. 25.7 billion). This indicates that the Company had around 96.8% of unutilized debt raising capacity at the year end.

Short term borrowings of the Company stood at Rs. 11.6 billion at year end against aggregate financing facilities of Rs. 13.30 billion comprising of short term running finance and Istisna arrangements with various banks, under mark-up / profit arrangements. Additionally, letters of credit lines upto Rs. 11.23 billion are available against lien on shipping / title documents and charge on FFC assets, in addition to corporate guarantees issued by banks on behalf of FFC upto Rs. 100 million.

Capital Structure of FFC

FFC's capital structure comprised of Rs. 12.72 billion of share capital representing 1,272 million ordinary shares of Rs. 10 each, with net worth of Rs. 25.67 billion which improved



by 2% from last year. Fauji Foundation continues to be the major shareholder with 44.35% equity holding.

Long term debt of the Company stood at Rs. 2.5 billion at close of the year, with a debt / equity ratio of 9:91 as compared to 15:85 in 2013, whereas financial leverage was recorded at 0.62.

The above indicators provide adequate evidence as to the adequacy of the capital structure for the foreseeable future.

Capital Market & Market Capitalization

The Company is listed on all the three stock exchanges of Pakistan including the Karachi Stock Exchange (KSE) which is the Country's largest and most liquid stock exchange, offering an orderly and reliable market place for its investors.

As at December 31, 2014, KSE had a market capitalization of Rs. 7,381 billion, with an increase of 126% over 2010.

However, the number of companies listed on KSE depicted a year on year decline by delisting of 87 companies since 2010, resulting in a reduced number of 557 listed companies at the close of 2014. Total capital listed on the exchange rose to Rs. 1,168 billion, 3% higher than last year.

As at December 31, 2014, market capitalization of FFC's shares stood at Rs. 149 billion, up by 5% from last year. Trading at an average of Rs. 113.80 per share, market price experienced major fluctuations between the highest of Rs. 125.92 per share to the lowest of Rs. 106.51 per share. Trading in FFC's equity during the year however declined to 287 million shares, a substantial drop of 29% as compared to last year.

Fluctuations are principally caused by market psychology, speculative investors and material events occurring during the year.

Profit Distribution & Reserve Analysis

The Company carried opening reserves of Rs. 12.43 billion at the start of 2014 of which, Rs. 5.09 billion were distributed as final dividend as approved by the shareholders, signifying 97% aggregate payout for the year 2013.

Net earnings of Rs. 18.17 billion were recorded by the Company during the year, against which, an aggregate of Rs. 12.91 billion were distributed on account of three interim dividends, while no transfers were carried out to the general reserves.

The Company carried net reserves of Rs. 12.95 billion as at the close of the year in the form of Reserves and un-appropriated profit as shown in '**Appropriations**' table below.

Sensitivity Analysis

FFC is exposed to several external factors, beyond management's control which can affect performance and profitability and therefore alter annual results.

Sensitivity analysis is performed on regular basis to minimize the risk of these external factors. This involves analysing trends, yearly results and testing the effect of various critical and non-critical variables on the overall profitability of the Company.

Mitigation of key sensitivities and other risks has been discussed in detail in the '**Risk & Opportunity**' section of this Report.

Appropriations

	Rs. in Million	Rs. per share
Opening Reserves	12,429	
Final Dividend – 2013	(5,089)	4.00
Net Profit 2014	18,171	14.28
Other Comprehensive Income	350	
Available for Appropriation	**25,861**	
Appropriations		
First Interim Dividend 2014	(3,817)	3.00
Second Interim Dividend 2014	(4,326)	3.40
Third Interim Dividend 2014	(4,771)	3.75
Closing Reserves	**12,947**	

Financial Review

Key Sensitivities

Urea production & cost of sales

Despite efficient plant operations, urea production has been exposed to consistent gas curtailment, resulting in production losses. In addition, maintenance turnarounds above planned levels can also significantly impact production and the Company profitability.

Looking ahead, depleting gas reserves pose a major risk to sustained production and profitability.

Cost of production continues to escalate due to incremental GIDC levy each year, part of which had to be absorbed by the Company during the previous years owing to market conditions.

Sensitivity Analysis

Sensitivity	NPAT (Rs. M)	EPS (Rs)
Sales Volume (+/- 1%)	233	0.18
Gas Consumption/ Price (+/- 1%)	157	0.12
Dividend Income (+/- 5%)	129	0.10
Selling Price (+/- 1%)	467	0.37
Downtime (+/- 2 days)	136	0.11
Exchange Valuation (+/- 5%)	131	0.10
Income on Deposits (+/- 5%)	53	0.04
Finance Cost (+/- 5%)	27	0.02

The Company however remains committed towards efficiency enhancements in addition to cost cuts for mitigating these risks and sensitivities. In order to maintain the operating efficiency, regular inspection and maintenance is carried out at all plants to reduce production downtime.

The un-judicious diversion of FFC gas quota of 34 MMSCF previously allocated to the power sector, to another fertilizer company by the Government, is an added factor behind declining Company margins.

Sales volume & prices

Sales volume is defined by plant production, fertilizer demand and environmental conditions in addition to excessive fertilizer imports.

Although selling prices are determined internally, these may be significantly impacted by competitor prices, market conditions, international market trends, subsidies on imported fertilizer and lately, the absorption of GIDC costs, resulting in costs absorption and decline in Company profitability.

As a result, sales volume and revenues have become increasingly sensitive to external factors, with the potential to alter overall Company productivity and profitability.

Average selling price of fertilizer bag during 2014 remained depressed with only a minor increase from last year because of market forces, adding further pressure on Company profitability.

Dividend income

Dividend income from our strategic investments depends upon the related parties' yearly performance and is thus beyond the Company's control. A significant part of dividend income comes from FFBL and recently, FCCL and AKBL have also started contributing to the dividend stream.

Considering similar core competencies, factors that impact FFC also influence FFBL's performance. FCCL and AKBL operate in different sectors and are subject to different sensitivities than FFC.

Other income

Income on deposits with banks and other financial institutions rely on the Company's competence to efficiently generate funds in excess of working capital / other requirements, in addition to their deployment in profitable options. However, any return on deposits and investments are subject to interest / policy rates and market conditions, which are beyond the Company's control.

Finance cost

Long and short term borrowings and the resultant finance costs have a significant impact on the Company's profitability. Although margins on loans are negotiated by the management, the KIBOR / interest rate fluctuations are subject to market & economic conditions and are thus beyond the Company's control.

Foreign exchange risk

Foreign currency monetary assets and liabilities expose our Company to foreign exchange risk on account of unpredictability in exchange rates. Exchange valuation, carried out at the balance sheet date is therefore material in respect of profitability.

Relationship between the Company's results and Management's objectives

Objectives set by the management are subject to various sensitivities including strategic, commercial, operational and financial risks, which may affect the Company's performance. These risks alongwith their levels of exposure and mitigating strategies and opportunities have been discussed in the '**Risk and Opportunity Report**' section.

With the exception of price gains in 2011 impacting positively on net earnings of the Company, and the inverse / negative impact of GIDC on profitability during 2013 and 2014, the Company has maintained a steady growth momentum, expanding into core competencies in addition to significant diversification initiatives into the financial sector, food business, power generation and lately in 2014, in offshore fertilizer projects.

Sustained returns to the shareholders, consolidation of diversification projects including incremental receipts, successful operations of FFC Energy Limited, and maintenance of good governance practices are testaments to FFC's performance and achievements over the years.

Incremental dividend income from FCCL and commencement of dividend stream from AKBL, with the first ever dividend receipt of Rs. 544 million during the year 2014, support the management's assessments of target achievement.

Prospects of the Entity including targets for Financial and Non-Financial Measures

Prospects of the Entity

Efficiency improvements, costs economization, incremental dividend income and planned diversification projects provide sufficient support to the management's projection of sustained profitability and return to the shareholders.

The Company's wind power project FFC Energy Limited has attained True-up of its electricity supply Tariff, resulting in improved project revenues, and incremental future earnings for the Company.

Construction work on the Individually Quick Freeze (IQF) Plant of Fauji Fresh n Freeze Limited (formerly Al-Hamd Foods Limited), is progressing as per plan with scheduled inauguration during 2015.

In October, 2014 FFC signed a Consortium Agreement with internationally reputed partners for setting up of an offshore fertilizer project in Tanzania, which shall allow potential for export of fertilizer to neighbouring landlocked countries, the Middle East and South Asia.

Financial Measures

An estimation of various factors and variables were used to project targets for 2014. Most of these parameters are outside the control of the Company while others can either be monitored or their impact can be alleviated to a possible extent.

Fluctuations in currency, government regulation in the form of taxes, duties and levies, price of raw materials, gas diversions and curtailments etc. are all external factors affecting the Company's cost of production.

Thorough evaluation and effective implementation has been carried out during the year to achieve set goals and targets. This is evident from the fact that despite major gas curtailment during the year, sustained production levels were achieved and operating targets were met.

Fertilizer selling prices registered only a marginal increase from last year, whereas gas costs depicted a significant increase resulting in decline in Company profitability by 10% compared to last year. However, the Company's diversification initiatives enabled the Company to earn a net profit of Rs. 18.17 billion despite adverse market conditions.

Looking forward, the supply of gas to our competitors at concessionary rates, in addition to increase in gas costs, continue to pose profitability risks to the Company. Further, declining international urea prices also pose a risk to future margins. The Company is however fully geared to mitigate these sensitivities to ensure sustained Company profitability.

Non-financial Measures

The Company has identified the following areas as key non-financial performance measures:

- Stakeholders' engagement
- Relationship with customers and business partners
- Employee satisfaction
- Maintenance of product quality for fulfillment of buyer needs
- Responsibilities towards the society
- Healthy and safe environment
- Transparency, accountability and good governance

Responsibility for implementation has been delegated to the management, with continuous monitoring and control by the Board.

Cost Accounting Record and Audit

In compliance with the provisions of Companies (Audit of Cost Accounts) Rules, 1998, the Company has established a system for maintenance of Cost Accounting Records. The specified Cost Accounting Statements, the Report and other information for the financial year ended December 31, 2013 were submitted to the Securities and Exchange Commission of Pakistan (SECP) and the Registrar, alongwith the Cost Auditor's Report thereon, within the stipulated timeframe.

Financial Review

Syed Shahid Hussain (CFO) receiving MAP Award 2013

Mr Farhad Sheikh Mohammad (Director) receiving Best Corporate & Sustainability Report Award 2013

The Cost Auditors are required to be different from the Auditors of financial statements of the Company and the Board of Directors has re-appointed BDO Ebrahim & Company, Chartered Accountants, as Cost Auditors of the Company for the financial year ended December 31, 2014, under approval and in compliance with the criteria specified by the SECP including relevant experience and availability of sufficient qualified staff.

Corporate Awards

Best Presented Report Awards 2013

The Annual Report of the Company for the year 2013 was awarded the top position in the Manufacturing Sector, for the Best Presented Annual Report competition by the South Asian Federation of Accountants (SAFA), in addition to being awarded a Certificate of Merit for 'Corporate Governance Disclosures'.

The Annual Report for 2013 was also adjudged amongst the best reports in the Fertilizer and Chemical sector, in the "Best Presented Accounts Award" competition for 2013 by the Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).

The awards represent FFC's commitment towards promotion of transparency, accountability and good governance practices.

KSE Top Companies 2013

Karachi Stock Exchange acknowledged outstanding performance of FFC by adjudging overall winner of Top 25 companies for the fourth consecutive year, in 2013. This was also the twentieth successive placement in the top companies list.

The achievement was conferred on the basis of FFC performance with regard to the top KSE companies' criteria in terms of dividend payout, capital efficiency, profitability, free-float of shares, and compliance with listing regulations, in addition to transparency and investor relations.

Sustainability Report Award

FFC's Sustainability Report for the year 2013, prepared in consultation with the Global Reporting Initiative (GRI-Holland), was awarded the second prize in the Sustainability Report Category by the ICAP / ICMAP, in terms of transparency and social & environmental footprints. The Company has further been presented with the 'Socially Responsible Investing' Award at the CSR Awards 2015 by the National Forum of Environment and Health (NFEH).

Rawalpindi Chamber of Commerce & Industry (RCCI) Platinum Award

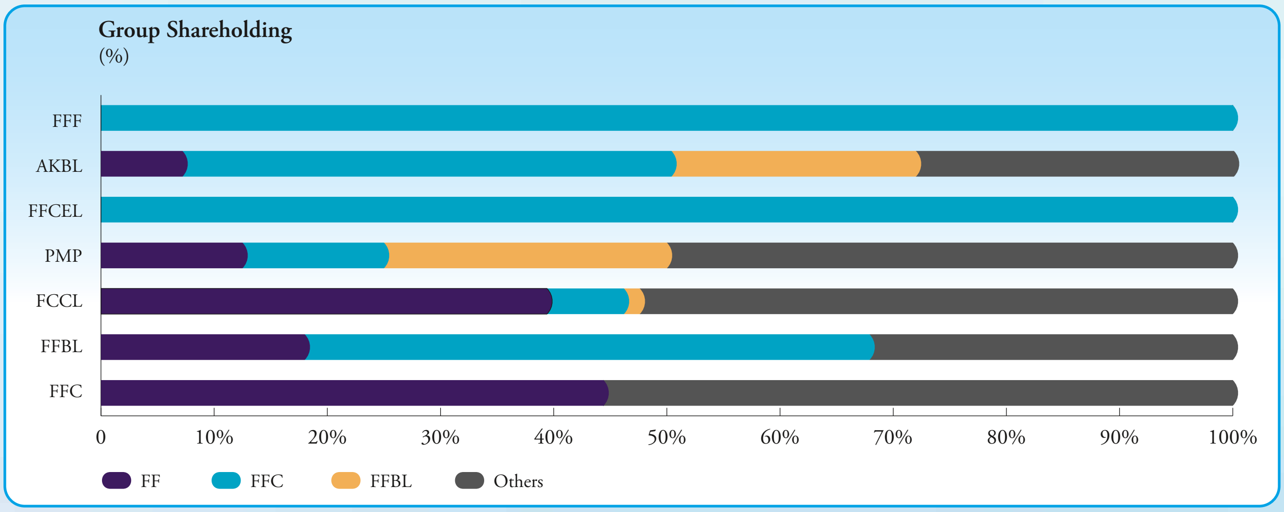
In 2014, FFC was also awarded the RCCI Platinum Award for being the leading company, mainly in terms of investment, total taxes paid, establishment of new industries amongst other factors.

Management Association of Pakistan (MAP) Awards

2013 is accredited with another achievement for FFC as being the top Company in terms of Management and Corporate Governance practices, in the Chemical Industry Sector by the Management Association of Pakistan (MAP).

Information Security Leadership (ISLA) Award

The Company has additionally achieved the prestigious Information Security Achievement (ISLA) Award for Asia Pacific, presented in recognition of pioneering information security culture at FFC by the International Information Systems Security Certification Consortium $(ISC)^2$.



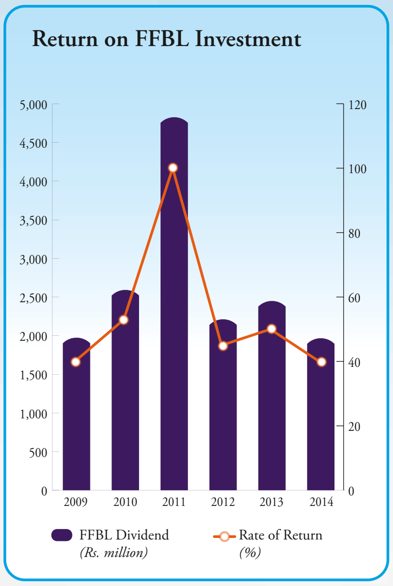
Consolidated Operations / Segmental Review of Business Performance

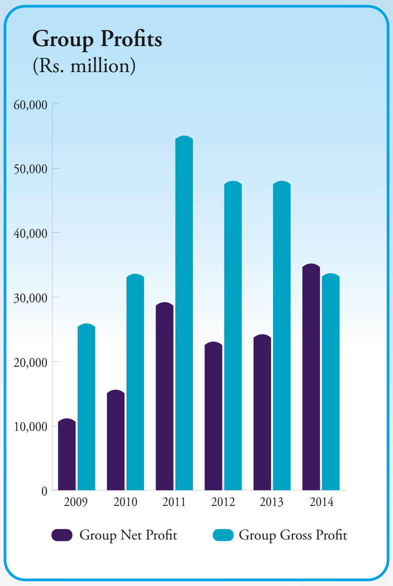
Group sales revenue for 2014 was recorded at Rs. 84.01 billion with net profit of Rs. 34.64 billion compared to Rs. 23.66 billion in 2013, higher by 46% mainly because of gain accrued on account of discontinued operations of FFBL. FFBL's performance has been excluded from the consolidated results post the change in the company's status from subsidiary to an associated entity of FFC, consequent to disposed of 1% FFBL equity by the Company.

Brief analysis of each Group company's performance is presented below:

Fauji Fertilizer Bin Qasim Limited (FFBL)

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





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

In October 2014, FFC sold 1% equity stake in FFBL aggregating to 9.34 million ordinary shares to Fauji Foundation at the prevailing market price. FFC now holds 465.89 million shares of FFBL, representing 49.88% of FFBL's equity.

FFBL recorded net earnings of Rs. 4.0 billion, 31% lower than last year, representing an earnings per share of Rs. 4.30. During the year, FFBL produced 213 thousand tonnes of 'Sona' Urea (Granular) and 702 thousand tonnes of DAP which were marketed by FFC Marketing Group on behalf of FFBL, earning Rs. 49.45 billion as sales revenue for FFBL.

Financial Review

Dividend receipts of Rs. 1.89 billion by FFC from FFBL during 2014 were 20% lower than last year because of reduced FFBL earnings during the period.

Meeting of the Board of Directors of FFBL was held on January 30, 2014, in which a final cash dividend of Rs. 2.25 per share i.e. 22.5% was declared. Total FFBL payout for the year thus stands at Rs. 4.00 per share i.e. 93.02%.

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

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

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

PMP has a production capacity of 375 thousand tonnes of industrial phosphoric acid, a substantial portion of which is supplied to FFBL as raw material for production of DAP fertilizer with any excess sold in the international market. FFC invested Rs. 706 million in the Company and has earned Rs. 43 million in terms of dividend since the date of investment.

Fauji Cement Company Limited (FCCL)

FCCL is a public listed company incorporated in 1992 and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. Principal activity of the company is manufacturing and sale of ordinary Portland cement. The company's plant is located at Jhang Bahtar, District Attock with a current installed capacity of 3.43 million metric tons. FFC holds Rs. 1.5 billion stake in FCCL, which amounts to 6.79% of FCCL's equity.

During the quarter ended September 30, 2014, the first quarter of FCCL's fiscal year 2014-15, the company earned a net profit of Rs. 602 million as compared to Rs. 582 million in the same period of last year and capacity utilization improved to 68% as compared to 67% in the corresponding period of the previous year. Local dispatches increased by 5.4% while exports declined by 11% as compared to the same quarter of last year.

FFC earned dividend income of Rs. 141 million from Fauji Cement during the year 2014.

FFC Energy Limited (FFCEL)

FFCEL is an unlisted public limited company incorporated in 2009 and is presently a wholly owned subsidiary of FFC. The company was incorporated for the purpose of implementing a project comprising establishment and operation of a 49.5 MW wind power generation facility and its onward supply to National Transmission & Dispatch Company (NTDC).

In 2014, FFCEL completed its first year of commercial operations. The project operated at 97% of average availability factor and has to-date billed around 265 GWh of electricity to the national grid valued at over Rs. 4.2 billion.

The company's petition for Tariff True-up was approved during the year, enabling FFCEL to invoice the tariff provided under the Energy Purchase Agreement, as opposed to claiming the value of energy supplied on the basis of Reference Tariff previously.

The company achieved sales revenue of Rs. 2.76 billion during the year, including the differential between the Reference and True-up tariffs for electricity supplied to-date, whereas net earnings stood at Rs. 735 million. Trade receivables of the company stood at Rs. 1.4 billion at year end.

Askari Bank Limited (AKBL)

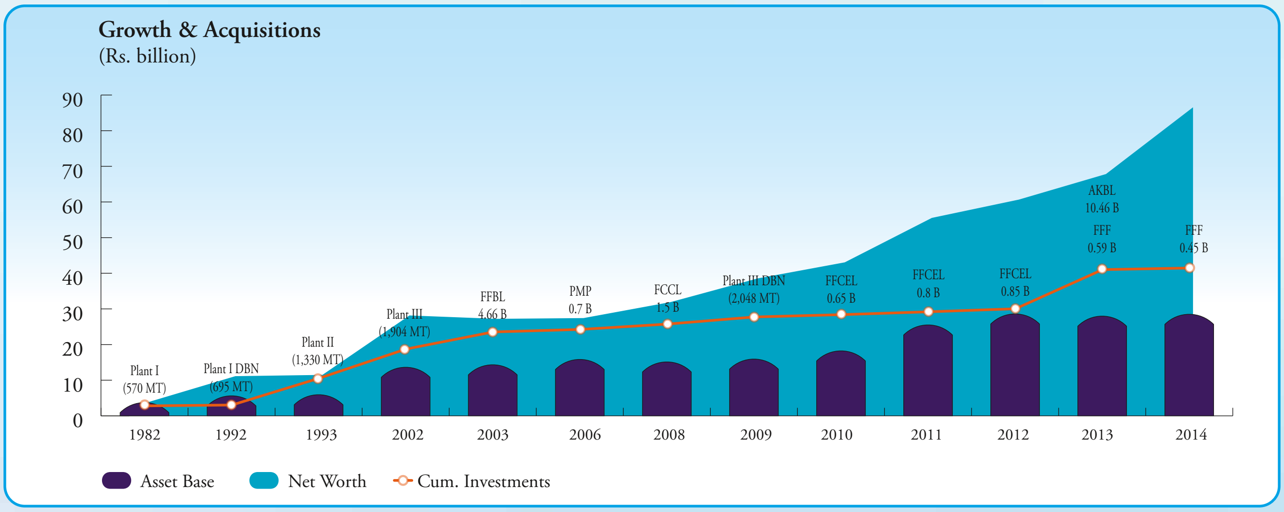
AKBL was incorporated in 1991 as a public limited company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. AKBL is a scheduled commercial bank and is principally engaged in the business of banking with 321 branches including a Wholesale Bank Branch in the Kingdom of Bahrain. FFC has a 43.15% stake in the bank with a total investment of Rs. 10.46 billion

In view of reduction in FFC's equity stake in FFBL, the status of AKBL has also changed from an indirect subsidiary to an associated concern of FFC.

As per the financial statements for the period ended September 30, 2014, AKBL reported per share earnings for the nine months period at Rs. 2.47 against last year's loss per share of Rs. 3.13.

AKBL had a total asset base of Rs. 409 billion as of September 30, 2014, rising from Rs. 395 billion as at December 31, 2013, while gross advances rose to Rs. 195 billion. Non-performing loans improved by 5.5% during the nine months; from Rs. 33.1 billion at December 31, 2013 to Rs. 31.3 billion at September 30, 2014.

The year 2014 also marks the first ever dividend receipt of Rs. 544 million from AKBL by the Company.



Fauji Fresh n Freeze Limited (FFF) (formerly Al-Hamd Foods Limited - AHFL)

FFF was incorporated as an unlisted public limited company and was acquired by FFC in October, 2013 as a platform to enter the foods business. FFF is a 100% owned subsidiary of FFC and its principal activity is processing of frozen fruits, vegetables and ready to eat meals using state of the art Individually Quick Freeze (IQF) technology.

Construction work on IQF Plant of FFF, is progressing as per plan with scheduled inauguration during 2015.

As of December 31, 2014, the asset base of the company was valued at Rs. 1.97 billion, while the net worth of the company stood at Rs. 689 million. The company received additional equity funding of Rs. 450 million from FFC, in addition to financing of Rs. 627 million from the project lenders with aggregate debt financing of Rs. 1.22 billion at the close of the year.

Risk and Opportunity Report

Key sources of uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Detail of significant accounting estimates and judgments including retirement benefits, estimation of useful life of property, plant and equipment, intangible assets, recoverable amount of goodwill and investment in associated companies along with provision of taxation have been disclosed in note 3 of FFC's financial statements and consolidated financial statements.

Strategic, commercial operational and financial risks

The Company is exposed to the risks identified in the following sections, which are subject to diverse levels of uncertainty against which the Company has implemented effective mitigating strategies as discussed below.

The strategic, commercial, operational and financial risks can emanate from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate aggressive actions from an adversary, or events of uncertain or unpredictable nature.

These key sources of uncertainty in estimation carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Strategic risks

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

Financial Review

Operational risks

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

Commercial risks

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

Financial risks

Financial risks are divided in the following categories:

Credit risk

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

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

Market risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods to assist in monitoring cash flow requirements and optimizing its cash return on investments.

Typically the Company ensures that it has sufficient cash on demand, including lines of credit, to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Plans and strategies for mitigating these risks and potential opportunities

Risk Governance

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

I. Board and Committees
The Board oversees the risk management process primarily through its committees:

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

II. Policies & Procedures
Board and its committees have adopted a set of policies and procedures, to promote a culture of ethics and values and delegate the authority to senior management for implementation of approved policies and procedures.

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

IV. Performance Management
A continuous cycle of monitoring performance of the implemented controls has been established to identify weaknesses and devising strategic plans for improvement, which has enabled aversion of majority of performance risks.

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

Mitigating Strategies

Risk Level	Risk description	Mitigating strategy
Strategic risk		
Low	Technological shift rendering FFC's production process obsolete or cost inefficient.	Balancing, modernization and replacements carried out at all the production facilities, ensuring our production Plants are state of the art while utilizing latest technological developments for cost minimization and output optimization.
Moderate	Decline in international price of urea, forcing a local price fall.	Maintaining healthy margins through cost minimization and output optimization strategies.
Strategic risk		
Low	Over-diversification leading to inadequate management expertise for managing investments.	Investing through a thorough diligence process critically viewing worst case scenarios of return on investment, taking account of management expertise and where required, bringing on board experts of the respective sectors.
Low	Investing in companies that yield insufficient returns, tying up shareholders' funds and impacting profitability.	
Commercial risk		
Low	Strong market competition lowering demand for FFC's product.	FFC combined with FFBL currently holds 46% urea market share, and continuous efforts are made to sustain production and maintain our market share.
Low	Outdated farming techniques employed by farmers leading to poor crop health and declining per hectare output.	Provision of farm advisory services and establishment of soil & water testing laboratories, micro-nutrient and plant tissue analysis laboratories.
Low	Variations in commodity prices of agricultural products negatively affecting liquidity of customers.	Ensuring provision of locally manufactured fertilizer at competitive rates lower than internationally prevailing market rates.
High	Increasing production and distribution costs affecting pass through ability of the Company.	Increasing levies on raw material and escalating pressure on fertilizer pricing by the Government cannot be controlled by the Company. FFC however is committed to improving operational efficiencies and cost optimization to mitigate this risk to the maximum extent possible.
Moderate	Supplies and untimely influx of urea imported by TCP.	These variables are outside management control.
Operational risk		
Low	Turnover of trained employees at critical positions may render the operations incapacitated.	FFC has a detailed succession plan and a culture of employee training and development, continuously promoting and rotating employees within the departments. Formal work procedures and work instructions are also in place to provide guidance regarding any process undertaken by a new employee.
High	Gas reserves depletion.	Investing in alternate sources of raw material and power through coal fired boilers and multiple fuel co-generation, in addition to diversified business portfolio.

Financial Review

Risk Level	Risk description	Mitigating strategy
Operational risk		
Low	IT security risk.	State of the art IT controls are in place to prevent unauthorized access to confidential information. Regular IT audits and trainings are conducted to monitor and minimize the risk of breaches, errors or other irregularities.
Low	Climatic uncertainties including floods, water scarcity and drought.	FFC has established a disaster recovery plan that is implemented at all locations and the staff is fully equipped to quickly recover from a natural disaster.
Low	Risk of major accidents impacting employees, records and property.	Implementation of strict and standardized operating procedures, employee trainings, operational discipline and regular safety audits.
Financial risk		
Moderate	Rise in KIBOR rates inflating the borrowing costs.	A "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates, hedges the Company against this risk.
Low	Default by customers and banks in payments to FFC.	Most of our sales are either against cash or advance, providing adequate cover against this risk. For credit sales, credit limits have been assigned to customers, backed by bank guarantees. Risk of default by banks has been mitigated by diversification of placements among 'A' ranked banks and financial institutions.
Low	Insufficient cash available to pay liabilities resulting in a liquidity problem.	Cash management system at FFC is proactive and adequate funds are kept available for any unforeseen situation. Committed credit lines from banks are also available to bridge a liquidity gap, if any.
Low	Fluctuations in foreign currency rates.	FFC's foreign currency exchange rate risk is limited to foreign currency investments and bank balances bearing interest. Any fluctuation in exchange rates would be mitigated to some extent by resultant change in interest rates.
Compliance risk		
Low	Modifications in the legal framework by regulatory bodies.	Rigorous checks on latest updates in regulatory framework are carried out to prevent any breach of law. Trainings are conducted to keep the employees abreast of all latest developments in law and regulation.

Risk Level	Risk description	Mitigating strategy
Reputational risk		
Low	Loss of farmer confidence in the 'Sona' brand name adversely impacting sales.	FFC has built its brand recognition through years of quality fertilizer supply in addition to direct relationship with the farming community and shall continue to strengthen this reputation through enhanced initiatives for farmer awareness through model crop farms, balanced fertilizer application and sustained product quality.
Political / economical		
Low	Volatile law and order situation affecting the Country's economy.	This risk cannot be mitigated through internal strategies.
Low	Increased Government intrusion over price regulations and offtake monitoring.	FFC regularly monitors the markets and follows the market prices trying its best to avoid any unnecessary price hikes. All price increases are based on prevailing market conditions as FFC does not follow the market leadership strategy.

Opportunities

Opportunities have been discussed on page 29 of the Annual Report in the '**SWOT Analysis**' section.

Materiality approach adopted by the Management

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

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

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

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

Materiality levels are reviewed periodically and appropriately updated.

Subsequent Events

The Board of Directors in its meeting held on January 30, 2015 is pleased to announce a final cash dividend of Rs. 3.50 per share i.e. 35% for the year ended 2014, taking the total payout for the year to Rs. 13.65 per share i.e. 95.57%.

Operational Performance

Aggregate 'Sona' urea production of all three Plants was recorded at 2,403 thousand tonnes, in line with the targets and consistent with the previous year despite the turnaround of Plant-III, operating at 117% of the combined nameplate capacity of 2,048 thousand tonnes.

This was achieved with the collective hard work and diligence of our team, upholding the highest standards of excellence synonymous with the 'Sona' urea brand.

Production during 2014 represented about 49% of the aggregate domestic production of 4,898 thousand tonnes.

Plant I & II

Goth Machhi Plant

Operational performance of both Plants at Goth Machhi was satisfactory during 2014. "Sona" urea production of 1,620 thousand tonnes was recorded at an operating efficiency of 122% of designed capacity, 3% higher than the output for last year.

Integrated Management System

Re-certification of Quality, Occupational Health & Safety and Environmental Management Systems under the requirements of ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004 international standards was successfully accomplished in October 2014.

Major Projects

Natural gas compression projects

Natural gas pressure at Mari gas field is continuously declining due to which minimum suction pressure requirements of existing natural gas compressors may not be fulfilled beyond 2015. In this context, installation of new pressure booster compressors is being pursued. Purchase order for three compressor units has been placed with AG Equipment, USA. Estimated time of arrival is March 2015. Detailed engineering of the project is in progress.

Gas Turbine Control System Upgrade

Gas turbine, TG-701 obsolete control system is being replaced with a modern control system, commissioning of which is expected in 2015.

Plant-II Ammonia reactor shell, basket and catalyst replacement

Plant-II Ammonia reactor shell is being replaced for reliability improvement; whereas, basket and catalyst are being replaced for efficiency enhancement. New basket and catalyst have been received at site. New shell shall also arrive at site before the planned Plant turnaround in April 2015.

Plant-II Additional cooling tower cell

Cooling tower is being uprated by addition of a new cell to lower the cooling water supply temperature. This shall result in fuel gas savings at boiler, thus improving the overall energy efficiency. Subsequently, it shall also help improve the plant capacity and Sona Urea product quality in peak summer season.

Urea bag price printing

Pursuant to the GoP instruction, mandating all fertilizer manufacturers to print prices on urea bags, FFC has commissioned price tag printing system at all three Plants.

Security at Plantsite Goth Machhi

Security at Plantsite has been enhanced and upgraded through "State of the Art" security devices and cameras installation, which are being monitored round the clock through a Central Control Room.

Plant III

Mirpur Mathelo

During year 2014, Mirpur Mathelo Plant achieved the highest annual production for any turnaround year. Annual urea production of 783 thousand tonnes was recorded, slightly lower than the last year, but in line with the yearly planned target.

By the grace of Almighty Allah, another milestone of 4 million Man-hours of safe operation was achieved.

Maintenance turnaround 2014

After about 3.5 years of operational run, Plant maintenance turnaround was undertaken in September 2014. The turnaround was completed ahead of the scheduled target without any safety incident.

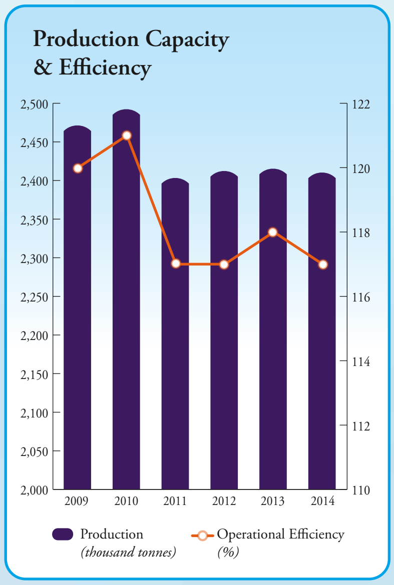
Remarkable efficiency improvement was observed after Plant turnaround, whereby, specific energy consumption was decreased by 1.3%.

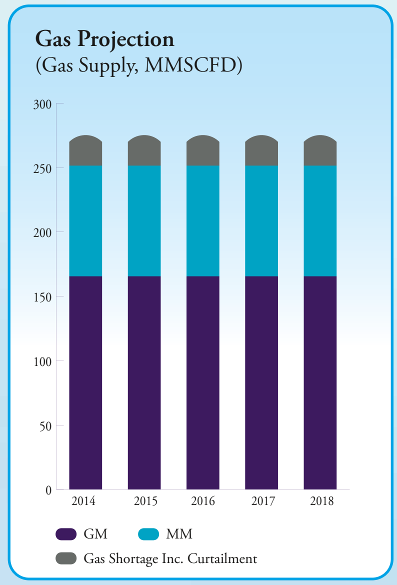
Following major jobs were completed during the Plant turnaround:

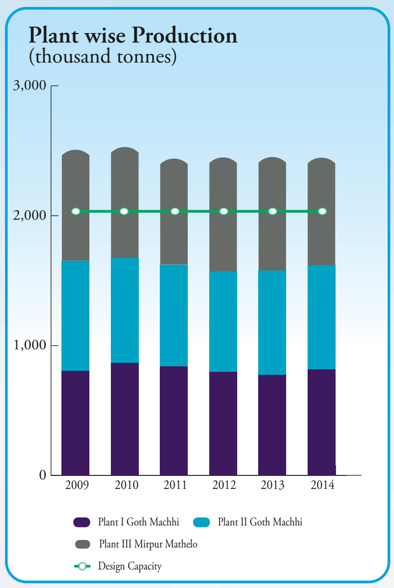
- Replacement of two waste heat boilers
- Shift converter catalyst replacement
- Ammonia compressor turbine rotor replacement
- Inspection and overhauling of various machines
- Installation of high efficiency vane unit at high pressure ammonia separator
- Installation of high efficiency trays in Urea Reactor

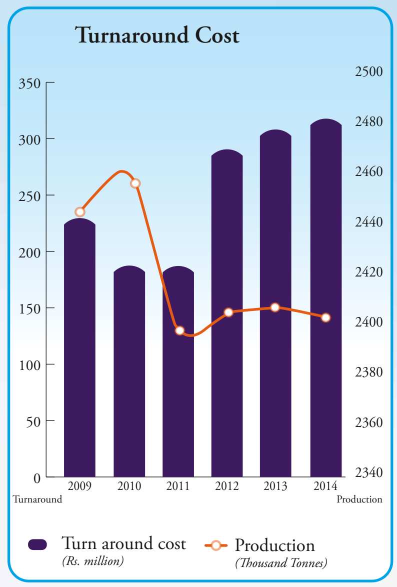
Integrated Management System

Integrated Management System (IMS) surveillance audit by M/S Bureau Veritas, was carried out in November 2014; all systems and procedures were found in-line with the requirements of international standards.









Major Projects

Natural gas compression project

To cater for the declining natural gas pressure, a new natural gas booster compressor has been successfully commissioned in September 2014.

In the next phase, a new natural gas transmission line shall be laid from the Mari gas field to the Plantsite, commissioning of which is expected in 2016.

Urea bags loader

At the Bagging & Shipping Plant, all urea bag loaders have been replaced with a new design to increase machine reliability and personnel safety.

Market Overview

International Fertilizer Market

In view of strong crop prices and increased demand in South Asia, world fertilizer offtake grew by 3% during the year 2014, to 184 million tonnes from 179 million tonnes last year.

Prominent challenges to the fertilizer industry during 2014 were nutrient management in crops and improving fertilizer use efficiency to reduce production costs. Fertilizer demand in North America contracted slightly owing to declining crop prices and unfavourable weather conditions at the beginning of 2014. This was, however, offset by increased demand in the rest of the world, with a firm recovery in South Asia and high growth rates of 5% and more in Oceania, Latin America and Africa, with the largest volume based increases in Asia.

International Urea prices experienced a continuing downhill trend from early 2013 as Ex-China prices at US$ 340 FOB per tonne at the start of the year dropped to US $ 245 FOB per tonne in June 2014, the lowest price during the year, with prices recovering from July onwards and closing at US $ 295 FOB per tonne by December 2014.

In contrast with urea prices, International DAP market continued its upward trend as prices jumped from US $ 390 FOB per tonne (Ex-China) at the start of 2014 to US $ 480 FOB per tonne by end of October 2014, highest of the year, closing at US $ 470 FOB per tonne by December 2014.

Global demand was adequately met in 2014, owing to increased production. On average, the world fertilizer industry operated at 78% of installed capacity.

A positive outlook for 2015 is anticipated as global fertilizer demand is estimated to expand by 2.1% to around 188 million tonnes. Demand for Nitrogen, Phosphorous and Potassium (major fertilizer types) is also expected to increase in line with overall fertilizer demand.

Domestic Fertilizer Market

Domestic fertilizer market fluctuated during the year owing to lower fertilizer supply in the third quarter leading to an increase in market price.

Urea

With an installed capacity of roughly 6.9 million tonnes, industry urea production operated at 71% capacity, with production of 4,898 thousand tonnes in 2014, 1% higher than last year.

Urea off-take, however, decreased to 5,618 thousand tonnes in 2014, 5% lower than last year, on account of delayed urea imports at the start of Rabi season and production constraints faced by plants. The Government imported 769 thousand tonnes of urea during 2014, 21% lower than 2013 and the industry carried urea inventory of 305 thousand tonnes at the close of 2014, 4% lower than last year.

DAP

FFBL DAP output stood at 702 thousand tonnes whereas DAP imports witnessed an increase to 993 thousand tonnes, 14% higher than last year as a result of rise in domestic demand. DAP off-take of 1,710 thousand tonnes recorded an increase of 3% over 2013 while closing DAP inventory stood at 131 thousand tonnes.

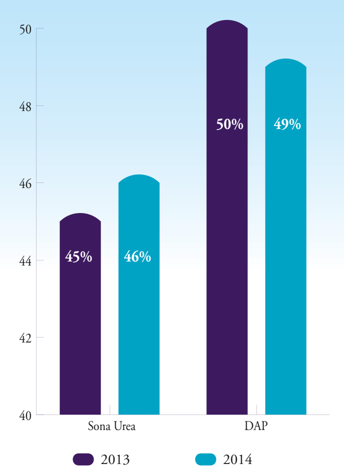
FFC Marketing

FFC is providing premium quality fertilizer to the farming community in an environmentally sound manner. With an ever evolving network, the Group is currently spread over three zones, fourteen regions, sixty six sales districts and over 3,700 dealers spread across Pakistan.

Sona Urea sales by the Company were recorded at 2,371 thousand tonnes during the year, marginally down by 2% compared to last year, capturing combined FFC/FFBL urea market share of 46% as opposed to 45% last year. Marketing of imported DAP by FFC stood at 123 thousand tonnes which combined with sales of 709 thousand tonnes of Sona DAP on behalf of FFBL, resulted in aggregate FFC/FFBL DAP market share of 49% (Source: NFDC)

Through FFC's Agri. Services Department, a comprehensive package of fertilizer services are offered, augmenting the farmer's capacity to do productive farming. With the help of the Department's officers, laboratories and Farm Advisory Centers (FACs) information regarding nutrient deficiencies in soils, water problems and modern farming techniques is disseminated to the farmers. Our FACs offer modern soil testing laboratories making our services unique in comparison with other farm advisory facilities.

Aggregate Market Share
(FFC / FFBL)



Geographical presence

Province wise sales performance

Punjab

Punjab is the largest consumer of fertilizer in the Country. Sona Urea (Prilled) sales for Punjab were 1,596 thousand tonnes representing 67% of sales in the Country, achieving a contribution percentage similar to last year.

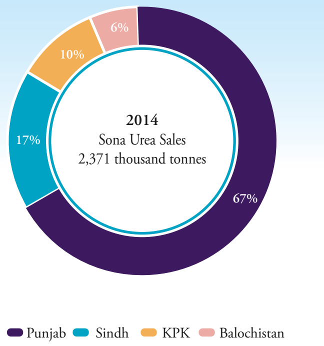
Aggregate Sona Urea sales including FFBL product, were 1,739 thousand tonnes with a contribution percentage of 67% of Sona Urea sold in the Country. Sona DAP sales during 2014 were 536 thousand tonnes representing 76% of total quantity sold.

Sindh

A total of 402 thousand tonnes of Sona Urea (Prilled) was sold in the province representing 17% of total product sold in the Country. Sindh is the second largest fertilizer market and also falls in the freight economic zone for FFC.

Combined FFC/FFBL urea sales stood at 465 thousand tonnes which represents 18% of total quantity sold by FFC and a 2% increase from last year.

Province wise sales (%)



Sona DAP sales were 109 thousand tonnes in the province; representing 15% of Sona DAP sales in the Country reflecting an increase of 2 thousand tonnes as compared to 2013, despite an 8% decrease in Sona DAP sales in the Country due to product limitation.

Khyber Pakhtunkhwa

Sona Urea (Prilled) sales in the province were 227 thousand tonnes for 2014 compared to 246 thousand tonnes last year. Contribution in Country wide sales of Sona Urea (Prilled) by FFC was 10%, in line with 2013.

Aggregate sales of Sona Urea and Sona DAP in the province represented 9% and 6% respectively out of aggregate Country wide sales of the Company.

Balochistan

Sona Urea (Prilled) sales in the province were 146 thousand tonnes as compared to 140 thousand tonnes last year. Sales contribution of 6% for the province was the same as in 2013.

Aggregate sales of Sona Urea were 150 thousand tonnes in 2014 as compared to 144 thousand tonnes during 2013 while 21 thousand tonnes of Sona DAP was sold during the year which was the same tonnage sold last year.

Contribution of Sona Urea and Sona DAP towards the province compared with total Country wide sales for the Company stood at 6% and 3% respectively.

Products & Services Quality Assurance

FFC's dedication towards maintenance of excellent product quality is evident from brand preference by the farmers, which has enabled sustained fertilizer sales over the years, despite adverse market conditions.

Extensive quality assurance measures have been implemented by the Company to provide the best 'value for money' products, through the following measures:

Standard weight of fertilizer bags is ensured and a regular quality analysis of product samples is performed based on the following parameters:

- Average Prill Size, mm
- Biuret Wt %
- Moisture, Wt %
- Crushing Strength, Grams
- Total Fines, Wt %

Additionally, packaging of product is carried out in line with the best industry standards to ensure weight accuracy, product quality and nutrient protection.

Sale prices are printed on all fertilizer bags, in addition to affixation of security labels "Pehchan Sticker" to ensure authenticated and quality product delivery. Oxo bio-degradable liners have also been introduced.

Country wide dealer network ensures prompt product delivery whereas "Customer Satisfaction Measurement Surveys" are conducted on bi-annual basis to obtain feedback from dealers.

Quality Agriculture Extension Services are delivered to farmers all over the Country through 5 Farm Advisory Centres and 18 Regional Agri. Offices. FFC field officers present at all regional offices provide guidance and swift handling of any customer complaints or grievances.

Human Capital

FFC considers its Human Capital to be the Company's most valuable resource, with significant contributions over the years towards its growth and maintenance of best governance practices. The Company accordingly ensures provision of the best employee development programs, health care, safety and market commensurate compensation packages.

Succession Planning

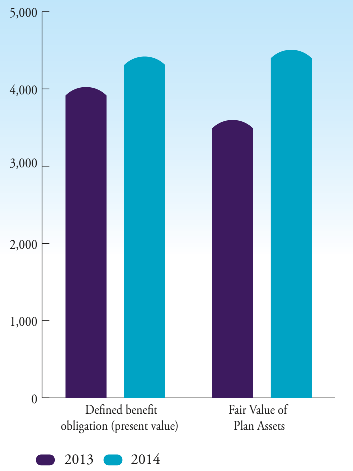
The Company has formulated a firm succession plan which includes performance evaluation and appropriate training requirements for development of potential future leaders. Detail of Succession Planning is available in the Human Resources portion of the '**Corporate Governance**' Section.

Retirement Benefit Plans

The Company has a number of retirement benefit plans in place for its employees ensuring financial security upon retirement. These include, a funded gratuity and pension scheme, contributory provident fund and a policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service.

Fair value of plan assets of the Company's funded gratuity and funded pension schemes stood at Rs. 1.85 billion and Rs. 2.55 billion respectively at the close of 2014, representing an accumulative increase of Rs. 0.91 billion compared to last year. Detail of retirement benefit funds have been disclosed in note 11 of the financial statements.

Retirement Benefit - Assets & Liabilities (Rs. in million)



Corporate Governance

With a view to ensuring long term satisfaction of our shareholders, creditors, employees, customers, suppliers and regulators, we have ensured existence of transparency and good governance at the very core of our business strategies and practices.

The **Code of Conduct**, sound internal controls, **Whistle Blowing Policy**, compliance of specified regulations and criteria in addition to other best practices, hold prominence in the Company's governance structure, which are applicable at all levels of Company management and operations.

Compliance with the Best Corporate Practices

At FFC, we have surpassed the legal requirements through voluntary adoption of best business practices and standards. Our testament to compliance with the **Code of Corporate Governance** of Pakistan forms part of FFC Annual Report 2014, alongwith the **Auditors' Report** thereon.

Directors' Compliance Statement

Directors are pleased to state that:

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

Statement of Value of Investments in respect of employees' retirement plans has been disclosed in note 11 of the financial statements

Ethics and Compliance

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

Conformity with applicable regulations and organizational objectives is ensured through a set of values and ethical standards to promote confidence and trust between individuals and entities. Upholding the highest standards of ethical behaviour is therefore a driver of business growth.

Conflict of Interest among BOD members

FFC employs a formal **Code of Business Ethics** in addition to compliance of regulatory requirements, for formal disclosure of vested interests if any, to allow avoidance of known or perceived conflicts of interests.

All the directors exercise their due rights of participation in Board proceedings, which are generally undertaken through consensus.

Concerns of the Board members on any agenda point are duly noted in the minutes of the proceedings for further evaluation of actual existence in addition to quantification of any conflict of interest before finalization of any agenda point.

IT Governance Policy

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

Towards this end, the Company continuously explores the prospects of implementing the best and latest IT technologies and infrastructure to enable efficient and timely decision making, in addition to economising on the costs related to operating and decision making processes.

Corporate Governance

FFC's IT Governance Policy encompasses:

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

Whistle Blowing Policy

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

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

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

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

Instances during the year

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

Human Resource Management Policy & Succession Planning

As a policy, FFC attracts the finest talent for induction in all functions of the Company and ensures provision of a conducive environment to stimulate performance, in addition to market commensurate remuneration to retain quality workforce, and developing and refining their abilities for prospective leadership roles.

The Company also ensures availability of competent personnel in each department through a comprehensive Succession Planning Policy, carried out in terms of an individual's potential, qualification, period of service and professional attitude amongst other criteria. The succession policy is updated periodically in line with the Company's requirements and career development objectives.

Social and Environmental Responsibility Policy

FFC is committed to act responsibly towards the community and environment for our mutual benefit as FFC believes that the success of the Company emanates from the development of the community. Our Social and Environmental practices have been elaborated in the section relating to '**Corporate Social Responsibility**', with the following distinct features:

- Community investment & welfare schemes
- Rural development programmes
- Corporate Social Responsibility
- Environmental protection measures
- Occupational health & safety
- Business ethics & anti-corruption measures
- Consumer protection measures
- Energy conservation
- Industrial relations
- Employment of special persons
- National cause donations
- Contribution to National Exchequer

Investors' Grievance Policy / Redressal of Investors' complaints

The Company believes in allowing full access to all shareholders including potential investors, to call for information or detail on

Company operations, in addition to details relating to his/her specific investment, dividend distribution or circulation of regulatory publications by the Company, with endeavours for prompt provision of information or resolution of query/grievance in accordance with the statutory guidelines.

During the year, withholding tax on dividends was increased from 10% to 15% for non-filers of income tax returns. The Company responded by informing the shareholders through newspaper notices, for provision of National Tax Number (NTN) certificates to the Company to avoid excessive tax withholding on dividend payments.

Investor grievances are managed centrally by the Corporate Affairs Department, through an effective grievance management mechanism for handling of investor queries and complaints, through the following key measures:

- Increasing the investor's awareness relating to modes for filing of queries
- Handling of investor grievances in a timely manner
- Grievances are handled honestly and in good faith by FFC employees and without prejudice
- Any grievances requiring attention of the management or the Board of Directors, are escalated to the appropriate levels with full facts of the case, for judicious settlement of the grievance
- Investigations are also carried out to inquire whether the cause of the grievance was a weakness in the system or negligence/willful act on part of any employee
- Appropriate remedial action is taken immediately to ensure avoidance in the future

Stakeholders' Engagement

The development of sustained stakeholder relationships is paramount to the performance of any company. From short term assessments to longer term strategic relationship building, '**Stakeholders' Engagement**' lies at the core of our business practices to promote improved risk management, compliance with regulatory and lender requirements in addition to overall growth of the Company.

Frequency of Engagements

The frequency of engagements is based on business and corporate requirements as specified by the Code of Corporate Governance, contractual obligations or on requirements basis, with the following stakeholders, as elaborated on page 21 of the Annual Report 2014 which includes the mode of engagement in addition to the impact of each stakeholder on Company's operations:

- Institutional Investors / Shareholders
- Customers and Suppliers
- Banks and other lenders
- Media
- Regulators
- Analysts
- Employees
- Local community and general public

Investors' Relations Section on FFC website

Detailed Company information regarding financial highlights, investor information, share pattern/value and other requisite information specified under the relevant regulations, has been placed on the corporate website of the Company, which is updated on regular basis.

In order to promote investor relations and facilitate access to the Company for grievance / other query registration, an '**Investors' Relations**' section has also been introduced on FFC website **www.ffc.com.pk**

Policy for Safety of Records

The Company has established a policy for preservation of record / documentation of material / significant or permanent value for commercial and / or legal purposes and claims in line with good governance practices including Business Continuity Planning (BCP).

The record includes books of account, documentation pertaining to secretarial, legal, contractual, taxation and other matters, which have been archived where needed, for periods well in excess of the legally required timeframes, in a well preserved and secure manner as follows:

- Establishment of secure storage centers to protect documentation from unauthorized access in addition to damage caused by fire, natural calamities and physical deterioration etc.
- Formation of an E-DOX computer system to provide backup for electronic data enabling prompt retrieval of relevant documents in a secure environment based on appropriate access controls and authorization systems
- Establishment of on-site and remote reserve sites to maintain real-time backup of all primary data
- Implementation of a comprehensive password authorization matrix for security of electronic documentation including the Company's SAP-ERP system
- Determination of responsibility for all Company departments for safeguarding of their respective record
- Immediate reporting of breach of security or damage of record to the management

Corporate Governance

- Establishment of on-site and remote Disaster Recovery areas to provide immediate backup of all primary data, in line with Business Continuity Practices

Composition of the Board of Directors

The qualification and composition of the Board of Directors has been defined by the regulatory framework, which has been fully implemented by the Company to ensure transparency, good governance and awareness of Board responsibilities for smooth functioning of business operations.

The Board consists of 13 directors, effectively representing the interest of shareholders including minority holders. There are 12 non-executive directors and only 1 executive director. The non-executive directors include four independent directors and one representing the non-controlling / minority interests, with atleast two independent and two other non-executive directors possessing relevant industry experience.

The Board comprises of a group of highly qualified professionals from varied disciplines in order to ensure effective and efficient decision making. Management professionals from Armed Forces, engineering, commerce, Government and the financial sector form a nonpareil combination of knowledge, experience and expertise to run the affairs of the Company. Furthermore, gender representation is also encouraged on FFC's Board of Directors.

Detailed profiles of directors including the names, status (independent/non-executive/executive), in addition to industry experience and directorship of other companies, has been stated in the beginning of the Annual Report 2014. The status of directorship (independent, executive, non-executive) is indicated in the Statement of Compliance with the **Code of Corporate Governance**, issued by the Company.

Composition of the Audit Committee

The Committee comprises of four non-executive directors with the Chairperson being an independent non-executive director. One director is a Chartered Accountant whereas another holds a Doctorate in Economics, lending significant financial and accounting insight to the proceedings of the Audit Committee.

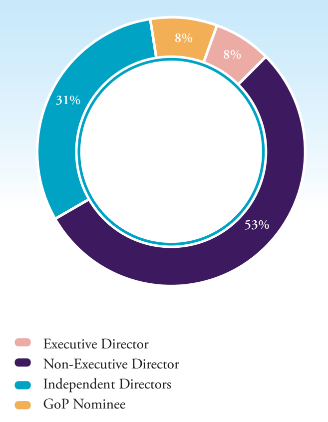
Composition of Human Resource and Remuneration Committee

All three members of the Human Resource and Remuneration Committee are non-executive directors. They were neither involved in the Management of the Company previously nor are connected with any business or other relationships that could interfere materially with, or appear to affect, their judgment.

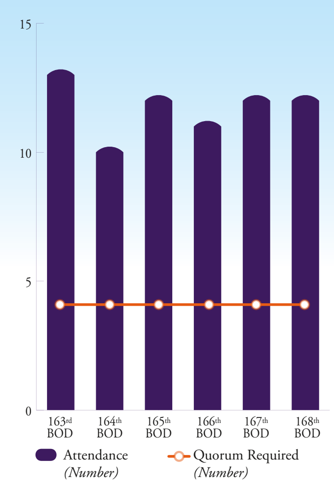
Meetings of the Board

Legally, the Board is required to meet at least once per quarter to monitor the Company's performance aimed at effective and timely accountability of its Management. Special meetings were also called during the year to discuss other important matters on required basis. The Board held 6 meetings during the year, the notices / agendas of which were circulated in advance, in a timely manner.

Balance of Non-Executive & Executive Directors



Attendance at BOD Meetings



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

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

Name of Director	Meetings held	Meetings attended
Lt Gen Muhammad Mustafa Khan, HI(M) (Retired)	6	6
Lt Gen Naeem Khalid Lodhi, HI(M) (Retired)	6	6
Mr Qaiser Javed	6	6
Dr Nadeem Inayat	6	6
Mr Jorgen Madsen	6	4
Engr Rukhsana Zuberi	6	6
Mr Farhad Shaikh Mohammad	6	6
Brig Parvez Sarwar Khan, SI(M) (Retired) *	2	2
Mr Khizar Hayat Khan	6	5
Mr Manzoor Ahmed *	4	1
Maj Gen Nasir Mahmood, HI(M) (Retired) *	2	2
Mr Alamuddin Bullo *	2	1
Maj Gen Ghulam Haider, HI(M) (Retired) *	5	5
Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired) *	4	3
Brig Dr Gulfam Alam, SI(M) (Retired) *	5	5
Mr Muhammad Raeesuddin Paracha *	3	3
Mr Shahid Ghaffar *	2	2
Ms Nargis Ghaloo *	1	1

* Maj Gen Ghulam Haider, HI(M) (Retired) appointed in place of Brig Dr Gulfam Alam, SI(M) (Retired) w.e.f March 01, 2014
Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired) appointed in place of Maj Gen Nasir Mahmood, HI(M) (Retired) w.e.f June 02, 2014
Brig Dr Gulfam Alam, SI(M) (Retired) appointed in place of Brig Parvez Sarwar Khan, SI(M) (Retired) w.e.f June 02, 2014
Mr Muhammad Raeesuddin Paracha appointed in place of Mr Alamuddin Bullo w.e.f June 02, 2014
Mr Shahid Ghaffar appointed in place of Mr Manzoor Ahmed w.e.f October 20, 2014
Ms Nargis Ghaloo appointed in place of Mr Muhammad Raeesuddin Paracha w.e.f. November 05, 2014

Board meetings held outside Pakistan

In spite of the upcoming offshore business interests, no Board meetings were held outside the Country by FFC during the year, to economise on resources, as also encouraged by SECP Guidelines.

Roles and Responsibilities of the Board of Directors

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

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

For the purpose of ensuring consistency and standardization, the Board has devised formal policies for conducting business and ensures their monitoring through an independent Internal Audit Department, which continuously monitors adherence to Company policies.

Changes to the Board

During the year, six of our fellow Board members retired and we would like to record our appreciation for the invaluable contributions made by Lt Gen Muhammad Mustafa Khan HI(M) (Retired), Brig Parvez Sarwar Khan, SI(M) (Retired), Mr Manzoor Ahmed, Maj Gen Nasir Mahmood, HI(M) (Retired), Mr Alamuddin Bullo and Mr Muhammad Raeesuddin Paracha during their tenure as Board members.

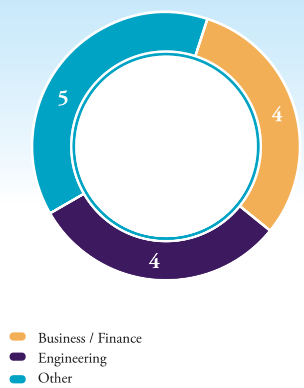
The Board also welcomes Lt Gen Khalid Nawaz Khan HI(M) (Retired), Maj Gen Ghulam Haider, HI(M) (Retired), Maj Gen Muhammad Farooq Iqbal, HI(M) (Retired), Mr Shahid Ghaffar and Ms. Nargis Ghaloo as new fellow members joining during the year. We hope this change in composition of the Board will bring new vision and spirit to FFC and the members of the Board would work cohesively as a team for the benefit of the organization and to generate new ideas for progress and improvement.

Directors' Remuneration

FFC has established formal and transparent procedures for fixing the remuneration

Corporate Governance

Directors' Qualification
(Number)



packages of the directors. As per these procedures and in compliance with legal requirements, no director is involved in deciding his / her own remuneration.

The directors' remuneration packages affixed at FFC encourage value creation within the Company. Levels of remuneration are ensured to be appropriate in order to attract and retain directors needed to govern the Company successfully. However, it is ensured that remuneration levels set are not at a level that could be perceived to compromise the independence of non-executive directors at FFC.

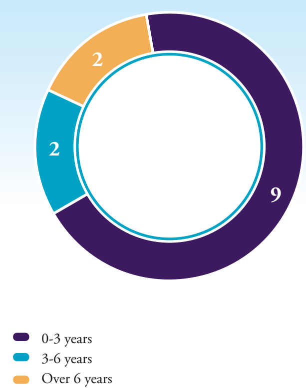
Evaluation of Board's Performance

In line with globally implemented / designed Board Performance Evaluation mechanisms, FFC has devised a methodology for evaluating the Board's performance as an entity, by the members of the Board themselves, on the basis of following factors:

- Board composition, organization, scope etc.
- Board functions and responsibilities
- Monitoring of Company's performance

Evaluation proformas are circulated to the members and each member is required

Directors' Tenure
(Years)



to return duly filled in proformas to the Company Secretary.

Divergence of opinions and weak areas indicated in the proformas are identified through a specially designed computer program. The results are consolidated and discussed in the next Board meeting to formulate strategy for effecting improvement in the Board's performance.

Offices of the Chairman & CE&MD (CEO)

As part of our governance structure, the position of the Chairman of the Board of Directors and the office of the Chief Executive are held separately, with clear division of roles and responsibilities.

Brief Role & responsibilities of Chairman & CEO

The Chairman represents the non-executive directors of the Board and is entrusted with the leadership of the Board's proceedings.

The Chairman acts as the head of the Board meetings and is responsible for avoidance of conflicts of interests. He has the power to set the agenda, give directions and sign the minutes of the Board meetings. The Chairman is also responsible for assessing and making recommendations regarding the effectiveness of the Board, the committees and individual directors. The Chairman ensures effective role of the Board in fulfilling all its responsibilities.

The CEO is an executive director who also acts as the head of the Company's Management in the capacity of Managing Director. Authority for implementing the Board's policies is delegated to the Managing Director within limits defined by the Board. He is entrusted with responsibility of:

- Safeguarding of Company assets
- Creation of shareholder value
- Identification of potential diversification / investment projects
- Implementation of projects approved by the Board
- Ensuring effective functioning of the internal control system
- Identifying risks and designing mitigation strategies
- Preservation of the Company's image
- Development of human capital and good investors' relations
- Compliance with regulations and best practices

CEO Performance Review by the Board

Appointment of the CEO is approved by the Board of Directors for a tenure of 3 years and the performance of the CEO is reviewed by the Board on annualised basis, with regard to the roles and responsibilities stated above, in addition to responsibilities assigned by the statute.

CEO's achievements for the year 2014 are supported by strong Company profitability, acquisitions, commercial / construction, progress of diversified projects, identification of new investment opportunities, in addition to transparency and good governance. Nomination of CE&MD of FFC on the Board of Directors of International Fertilizer Association is also a testimony to international recognition.

Formal Orientation at Induction

Each new member of the Board is taken through a detailed orientation process at the time of induction, and is trained extensively for enhancement of management skills. A formal familiarization program mainly features the following:

- The Company's visions and strategies
- Company's core competencies, investments, diversification ventures, etc.
- Organizational / group structure, subsidiaries, associations and other related parties
- Summary of the Company's major assets, liabilities, noteworthy contracts and major competitors
- Major risks both external and internal, including legal and regulatory risks and constraints
- Important documents pertaining to the Company's legal status
- Critical performance indicators
- Summary of major members, stakeholders, suppliers and auditors
- Role and responsibility of the Director as per the Companies' Ordinance, including Code of Corporate Governance and any other regulatory laws applicable in Pakistan
- FFC's expectations from the Board, in terms of output, professional behaviour, values and ethics
- Policy on Directors' fees and other expenses
- Facets of the Company's business including:
    - Strategic plans
    - Marketing analysis
    - Forecasts, budget and 5 year business plans
    - Latest financial statements
    - Important minutes of past meetings
    - Major litigations, current and potential
    - Policy in relation to dividends, health & safety, environment, ethics, corporate social responsibility, bribery, whistleblowing and conflict of interest, among others

Apart from an official orientation, Directors of FFC were sent abroad for trainings to enhance their management skills and keep them abreast with the best management practices and policies adopted by developed nations across the globe.

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

Directors' Training Program

Remaining well ahead of the requirements of Code of Corporate Governance to obtain Directors' Certification by 2016, all directors on FFC Board were appropriately certified by April 2014 from SECP approved institution. Two of these directors were subsequently replaced by two new Board members and certification of the two new Board members is also scheduled during the current year to ensure certification of the entire FFC Board, well in advance of the prescribed timeframe.

Names of the directors who have attained the specified certification are given in the attached table:

1 Lt Gen Naeem Khalid Lodhi, HI(M) (Retired)
2 Mr Qaiser Javed
3 Dr Nadeem Inayat
4 Mr Jorgen Madsen
5 Maj Gen Ghulam Haider, HI(M) (Retired)

Corporate Governance

6 Brig Dr Gulfam Alam, SI(M) (Retired)
7 Mr Khizar Hayat Khan
8 Engr Rukhsana Zuberi
9 Mr Farhad Shaikh Mohammad
10 Mr Shahid Ghaffar
11 Ms Nargis Ghaloo

Issues raised at last AGM

Company's shareholders raised a concern during the 36th Annual General Meeting of the Company held on March 14, 2014, regarding the cost of publishing of Company's annual report and requested reduction in the printing costs. The matter was taken up with SECP and as a result of Company's efforts, SECP allowed circulation of annual reports to the shareholders in electronic format through email, enabling savings in terms of time and costs through utilization of cost effective and efficient technology.

Trading in shares by Directors and Executives

Executives of the Company traded in a total of 53,120 shares of FFC during the year. Besides this, no other trading was conducted by the directors, executives and their spouses and minor children. KSE is being regularly updated on trading of Company's shares by Management Employees.

The threshold for identification of "Executives" in addition to those already specified by the Code of Corporate Governance, is determined by the Board in compliance with the Code, which is reviewed on annual basis.

Review of Related Party Transactions

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

Quarterly and Annual Financial Statements

Periodic financial statements of the Company during 2014 were circulated to directors, duly endorsed by the CEO and the Chief Financial Officer. Quarterly financial statements of the Company, along with consolidated financial statements of the Group, were approved, published and circulated to shareholders within one month of the closing date, while Half Yearly financial statements of the Company and consolidated financial statements of the Group were reviewed by the external auditors, approved by the Board, published and circulated to shareholders within the permitted time of two months after period end.

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

Other non-financial information to be circulated to governing bodies and other stake holders were also delivered in an accurate and timely manner.

Auditors

A.F.Ferguson & Co. Chartered Accountants have completed the annual audit for the year ended December 31, 2014, and have issued an unqualified audit report. The auditors will retire on the conclusion of the upcoming Annual General Meeting of the Company, and being eligible, have offered themselves for reappointment for the year ending December 31, 2015.

Based on a notice received from a shareholder to change the Auditors and in view of good governance, the Audit Committee has recommended the appointment of KPMG Taseer Hadi & Co. Chartered Accountants as External Auditors of the Company for the year ending December 31, 2015.

Pattern of shareholding

During the year, the Sponsor's, Directors and Executives of the Company held the following number of shares,

Particulars	Number of shares held as at December 31, 2014
Sponsors	564,204,254
Directors	800,000
Executives	996,513

A detailed pattern of shareholding is disclosed on page 188 of the Annual Report.

INFORMATION TECHNOLOGY

The Company remains focused on continuous exploration of best technologies and infrastructure, to enable efficient and timely decision making, in addition to economising on the costs related to operating and decision making processes.

At FFC, IT governance is aligned to promote transparency, accountability and dialogue in our technological / infrastructure development activities, in addition to safeguarding of Company's information / data bank and maximizing the return on technology investment and controlled spending.

Review by the Board of Disaster Recovery & Business Continuity Planning

The Company has implemented an effective Disaster Recovery System, for sustained business operations in the event of a disruption / disaster, in addition to safeguarding of Company assets, employees, intellectual property / IT Structure and customer satisfaction.

Business Continuity Planning

In today's era of technological dominance and extreme competition, sustained / continued business operations is critical and the Company has undertaken effective measures to enhance the resilience and endurance capacities of its business and operations, against disruptions / calamities.

External as well as internal stake holders from all critical departments of the Company have been engaged in the system for identification and mitigation of critical activities, in addition to the following objectives:

Investors

Business Continuity Planning (BCP) shows our investors that we take our business seriously and are prepared to maintain productivity regardless of difficulty.

Employees

Instils employee satisfaction about the Company's concerns related to their safety.

Customers

Inculcates confidence of customers in business by ensuring them that required measures are in place to continue business and fulfill Company's commitment with them in case of any unforeseen disaster.

Organization

A Business Continuity plan helps protect the Company's image, brand and reputation.

Disaster Recovery Planning

As part of BCP, a Disaster Recovery site (DR) has been established to further strengthen the availability of IT/SAP services in case of a disaster.

The site hosts backup servers for shifting of services during a disaster. A comprehensive set of policies and procedures have also been implemented to ensure a hassle free movement of transactions from primary site to DR site.

Detailed responsibilities, actions and procedures have been defined to recover computer, communications and network environment in the event of an unexpected and unscheduled interruption. An organization wide information security department has also been established for enhancing overall security posture of the organization.

Safety & security of IT record

Safety and security of IT data / record is ensured through effective implementation of the Company's policy for "**Safety of Records**' which includes access controls by way of security codes/passwords etc., in addition to establishment of on-site and remote reserve sites to maintain real-time backup of all primary data.

Corporate Social Responsibility

Sustainability

FFC is pleased to enter its 32nd year of sustainable and responsible business practices. **With a contribution of over 1% of after tax profitability towards CSR initiatives during 2014,** our commitment towards the development of the society remains strong, fully aligned with the evolving dynamics of the 21st century.

In FFC, CSR is a management process that integrates the Company's socio-economic concerns with its business operations and the interests of all its stakeholders. The Company has diversified its field of interventions by venturing into more critical challenging and extensive programs in 2014, as highlighted below:

- Provision of education to the underprivileged
- Development of health care facilities
- Environmental conservation
- Community support and uplift
- Disaster relief and rehabilitation
- Development of partnerships with reputable social organizations
- Promotion of sports in the Country

Corporate / Social Responsibility Initiative

Education

Rehabilitation of schools at Goth Machhi and Jhimpir

FFC through its CSR Program is committed to the provision of quality education to the underprivileged and deprived children of Pakistan. In pursuance of this a comprehensive infrastructure uplift and rehabilitation program was successfully concluded for over 50 schools in Goth Machhi and Jhimpir, entailing the following:

- Construction of new class rooms and associated facilities at Govt. Girls Primary School Wahid Buksh Lar
- Infrastructure development of three Primary Schools at Jhimpir
- Uplift of Govt. Higher Secondary School Old, Sadiqabad

Tameer-e-Millat Foundation (TMF)

TMF is a reputed 'Not for profit' organization working for the provision of cost effective & quality education to talented and deserving students from across Pakistan. FFC contributed to the cause by donating 5 vehicles for the transportation of students and faculty and provided full sponsorship to 5 deserving talented students for 3 years Diploma of Associate Engineering Programs inclusive of boarding and lodging expense.

FFC collaborates with leading academia and educational institutes

Complete support was extended to 2 students at NAMAL College, by donating

Rs. 2.4 million for a four year degree program and to 2 students at Lahore University of Management Sciences (LUMS) through its National Outreach Program. Rs. 3.6 million have been extended to LUMS covering entire academic, living and associated expenses till date.

FFC continues to fund the Student Support Program of Forman Christian College, Lahore. Presently sponsoring 7 students for their education and associated expenses, FFC extended Rs. 1.83 million for the subject sponsorship in year 2014.

Support to Cadet College, Larkana and Hasan Abdal was also extended through establishment of residence facilities for cadets and provision of ambulance for medical needs respectively. Currently, 18 students enrolled at Cadet College Ghotki are being fully sponsored by FFC.

Wards of Farmer Scholarship

FFC initiated the 10th season of its annual scholarship program for the talented and deserving "Wards of Farmers" across Pakistan. The Scholarship program covers a wide range of disciplines and in 2014, 73 new scholarships were awarded increasing the list of students to 258.

Health Care

Sheikh Zayed Hospital Rahim Yar Khan

In continuation of its support to Sheikh Zayed Hospital, which initiated in 2013, FFC extended a further Rs. 10 million to the establishment of a Burn Centre at the hospital which is home to quality medical and educational facilities for surrounding communities of Rahim Yar Khan.

Hazrat Bilal Trust, Goth Machhi

Hazrat Bilal Trust Hospital was established by FFC in 1986 and is being administered by the Company since its establishment. FFC contributed for the free treatment of patients to ensure quality health care to local people of Goth Machhi and the establishment of X-ray unit at Hazrat Bilal Trust.

Sona Welfare Hospital (SWH), Mirpur Mathelo

SWH one of FFC's projects in the Health Care sector was established in 2006, is continuously providing quality healthcare to the deserving natives of Mirpur Mathelo.

Sports Promotion & Development

In 2013, FFC took the development of women tennis in Pakistan under its patronage. Sponsorship was extended to talented players, Ushna Sohail and junior champions Alina and Mahin Aftab including training at reputed foreign academies in Europe & Asia and participation in internationally ranked tournaments. In just over a year's time, FFC's efforts have resulted in remarkable progress as Ushna Sohail made history by becoming the 1st Pakistani Woman Tennis player to attain WTA ranking point in addition to her participation in Asian Games 2014. Similarly, Alina & Mahin Aftab represented Pakistan at Juniors Tennis Championship (ITF) 2014 in India.

FFC co-sponsored SAFF Women Football championship 2014, which was hosted in Pakistan and contested by 8 countries. FFC also co-sponsored India and Pakistan blind cricket series by contributing Rs. 0.45 million to the event.

Sports sponsorship to Rawalpindi Polo Club for the upgradation of the polo field was also extended. FFC also undertook the renovation of synthetic tennis courts at Farhad Sports Complex, Risalpur and restoration of Mangla skeet and archery club.

Financial assistance amounting to Rs. 0.2 million was also provided to Pakistan Taekwondo Federation for organizing the National Taekwondo Championship.

Energy Conservation

As part of sustainable business practices, a number of energy conservation measures were taken by FFC during the year:

- Sona Welfare Hospital, Mirpur Mathelo has been transformed into a state of the art facility with a 5 KW solar power system. The facility is now self-reliant, with sustained electricity
- Umar Chang, a model village in Jhimpir has been solarized as part of FFC's energy conservation and rural uplift program
- A number of schools have been provided solar lighting including Omar Chang Primary School at Jhimpir
- Solar powered sweet water facility has been constructed at Sanjan Pur village for the surrounding community of FFC plant site
- 62 KW solar power system at the recently constructed Fauji Foundation Complex at Kot Ghulam Muhammad has also been installed

Energy Saving measures at FFC Plants

Efficient use of limited energy resources remains the Priority of the Company. Successful turnaround at Plant III brought desired results of efficient performance in addition to overall improvement in energy consumption indices.

One of the major projects of adding two 'Cooling Tower Cells' for removal of capacity bottleneck at Plant II has also resulted in improvement of energy index of the Plant.

Corporate Social Responsibility

Environmental Protection Measures / Environment Related Initiatives

FFC is continually striving for environmental protection through adoption of cleaner technologies and efficient processes. Regardless of the economic impact, several major projects are being pursued in fulfilment of our commitment to the environment:

- In order to decrease the overall environmental footprint of our plants, a purge gas ammonia recovery project and an upgraded waste water treatment facility is near completion at Plant I
- At Plant I & II, replacement of chlorine with a safer alternate is being evaluated
- Plant startup vents noise abatement have been installed in Plant III
- Use of Oxo-biodegradable bags is also being carried out to minimize the environmental impact of packing material

FFC collaborates with World Wide Fund for Nature (WWF)

WWF Pakistan is working for the conservation of nature and endangered species throughout Pakistan. In 2014, FFC sponsored WWF's Nature Carnival by donating Rs. 1 million to the event, proceeds of which are utilized for various ongoing WWF programs and raising awareness among masses on wildlife preservation.

Mitigating the adverse impact of industrial effluents at FFC Plants

In order to reduce the detrimental effects of industrial effluents the following projects are being undertaken at FFC Plants:

Plant-I Process Condensate Treatment Section Up-gradation

Plant-I Urea process condensate treatment section has been uprated. The condensate is now being reused as boiler feed water.

Hypochlorite Disinfection System replacing Chlorine at Plant-I & Plant-II

Chlorine gas is widely used as an industrial cooling water disinfectant. In regards to the environment and the personnel safety, use of this toxic gas is now being eradicated by replacement with a safer alternate, sodium hypochlorite.

Community Awareness and Emergency Response Program

FFC has developed and implemented an active "Community Awareness and Emergency Response" (CAER) program in line with best industrial practices. The program aims to create awareness among the community living adjacent to operational facilities.

Environmental standards

Environmental protection remains one of the major priorities of the Company; '**ISO 14001 Environment Management System**' has been implemented at Plantsites and Head Office to mitigate the adverse impact of industrial effluents according to international standards.

Plant-III Start-up Vents Noise Abatement

In order to reduce noise pollution during startup of turbine a silencer system has been installed at Plant III.

Synthesis Machine Turbine uprate

Synthesis machine turbines of Plant-I and Plant-II are being evaluated with respect to uprate for efficiency improvement. Outsourced study has revealed significant energy saving potential.

Urea Reactor high efficiency Trays

Plant-III urea reactor trays are being replaced with high efficiency SuperCups™ trays. Two trays have been installed during turnaround 2014 on trial basis

Alternate energy projects

In the backdrop of gas curtailment, the Company is also actively involved in the identification of alternate energy sources. Installation of coal fired boilers in phases is being evaluated to complement the low availability of natural gas. Work on Environmental and Social Impact Assessment (ESIA) study of the Coal Fired Boiler Project has been initiated.

Other major initiatives

- Plant-III Installation of Finned Coil at E-205 C for efficient waste heat recovery.
- Plant-III Replacement of inefficient turbines with motors.
- Plant-III Modification to restore cooling tower performance.

Community Investment & Welfare Schemes

Autism Society Pakistan (ASP)

ASP is working for the special educational requirements of children with autism and providing them with rehabilitation through its Autism Resource Center established in Rawalpindi. In 2014, FFC contributed Rs. 1.45 million to ASP for the support of its resource center.

SABA Homes

SABA Homes is providing shelter and education to orphans. FFC contributed Rs. 0.48 million in the form of an audio and video library.

SOS Village

SOS Village is home to young orphans from across Pakistan, with quality living, education and grooming facilities. To recognize this role, FFC extended Rs. 0.8 million for the establishment of a children playing area at its centre in Rawalpindi.

Consumer Protection Measures

The Company greatly values the requirement for protection of consumer rights and interests and has set in place an effective system to ensure that consumer interests are safeguarded, through the following salient measures:

- In order to control dumping, malpractices and pilferage of the product, special colored stitching thread is used, which is changed after a specific time.
- Our extensive dealer and warehousing network ensures that the product is delivered at the doorstep of our customers throughout the Country.
- Well trained field officers employed at established and strategically located regional / district offices efficiently handle customer complaints and simultaneously provide guidance to consumers.
- Customers are provided business related information regularly so that they remain abreast with latest developments in the fertilizer market.
- Regular "Customer Satisfaction Measurement Surveys" are conducted to gain customer feedback.
- Broad based Agriculture Extension Services are provided to the farmers of the country through fourteen regional offices and five independent Farm Advisory Centers located throughout the Country.

Procedures adopted for quality assurance of products/ services

FFC goes beyond basic recognition of customer rights and believes in providing the best value for money products and in this regard, we are proud of sustained brand preference by the farmers which has contributed significantly towards the Company's growth over the years.

The Company has implemented an extensive and effective quality assurance system for its products, as detailed in the '**Market Overview**' section.

Industrial Relations

Our engagement with employees is vital for maintaining a sustainable mutually beneficial relationship and in this regard, the Company ensures provision of a conducive working environment in addition to appropriate pay packages above the statutory limits, in line with best practices. Employees are required to ensure compliance with regulations and the Company fully recognises employee rights including the Collective Bargaining Agent (CBA). Performance of employees is duly rewarded without discrimination and special incentives have been designed for maintenance of industrial peace.

Employment of special persons

The Company considers it a social and moral responsibility to accommodate special persons; it goes great lengths in ensuring there are ample opportunities for their hiring and retention.

Extra efforts are made for training of special persons to enable them to compete with others and provide equal incentives for career growth and development. Further, health care and other allied facilities required for the optimum performance of such individuals are addressed on priority with due consideration to their disabilities.

53	+	18	=	71
FFC		Sona Welfare		Special Persons

Occupational Health & Safety (OHS)

At FFC, we are committed to maintaining a safe and healthy working environment for our employees. Health management at FFC goes beyond legal requirements and involves strengthening our employees' physical, mental and social wellbeing.

Corporate Social Responsibility

Our approach to OHS is proactive and oriented toward long term development; inculcating safety culture through training, incentives and effective OHS management system. We ensure that occupational safety is upheld by contract workforce through Code of Conduct for contractors.

FFC continued with its commitment towards Occupational Health and Safety by getting voluntary certification of **OHSAS 18001:2007 Management Standards** at Head Office in addition to re-certification of already implemented ISO Management Systems at both the Plantsites.

Business Ethics & Anti-Corruption Measures

FFC ensures ethical compliance with all regulatory and governing bodies while conducting its operations. The Company has formulated a "Code of Conduct", "Whistle Blowing Policy" in addition to a policy on "Sexual Harassment". Effective implementation of these policies is continuously monitored to ensure fairness and honesty in all business practices and activities, by all FFC functions, through the following salient measures:

- Conduct activities with honesty, integrity, truthfulness and honour
- Compliance and respect of applicable laws and regulations and to refrain from any illegal activity
- Respect of fellow members and employees and not to use one's position for undue coercion, harassment or intimidation
- Impartiality in business dealings and refraining from any transaction involving personal interest on behalf of the Company
- Avoidance of conflict of interest by directors, or appropriate disclosure in case of inability to avoid conflict
- In case of unavoidable personal interest extreme care shall be exercised and matter should be reported
- Refrain from businesses or dealings conflicting with Company's interests
- Confidentiality of Company's sensitive information by directors and employees of the Company
- Discourage any kind of discrimination among the employees
- Raising of alarms by a Company employee or stakeholder, wherever any unfair/dishonest activities are suspected or noticed
- Prompt action by the Management to check such unfair practices and ensure that such activities are not repeated

National Cause Donations

Assistance to drought hit areas in Tharparkar

FFC responded to the devastating calamity that hit Tharparkar at the onset of 2014 by providing 22 tons of ration and medicines. FFC was one of the first organizations to provide assistance to the drought hit areas and ongoing efforts are still being made as the relentless conditions continue to prevail in this region.

FFC partners with Muslim Aid

Muslim Aid is a UK based non-profit organization having its field office in Pakistan, delivering education, economic empowerment and humanitarian relief to impoverished areas in the Country. FFC contributed towards the efforts of this organization by assisting in health projects being undertaken.

Internally Displaced Person (IDP) Relief Fund

During 2014, FFC along with its employees contributed Rs. 27 million towards the IDP Relief Fund.

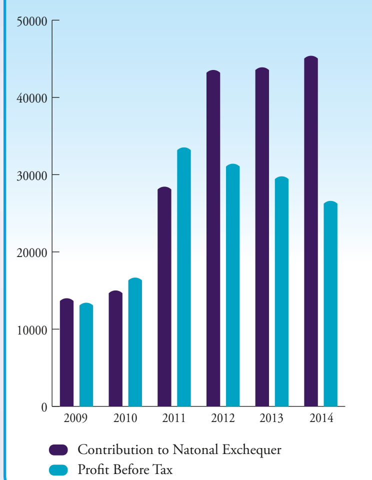
Contribution to National Exchequer

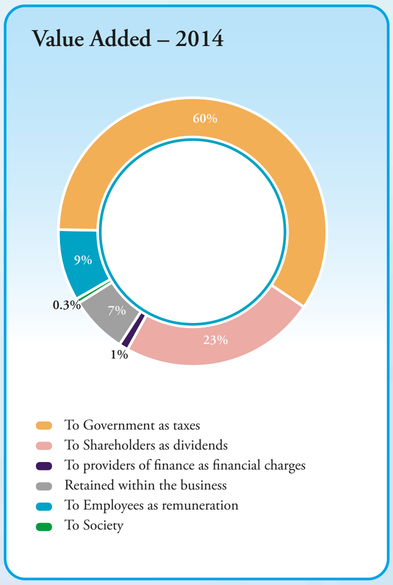
Contribution to National Exchequer of Rs. 45 billion for the year comprises of taxes, levies and accrued GIDC. The total contribution is the highest in the Company's history bringing the cumulative contribution as at December 31, 2014 to around Rs. 293 billion.

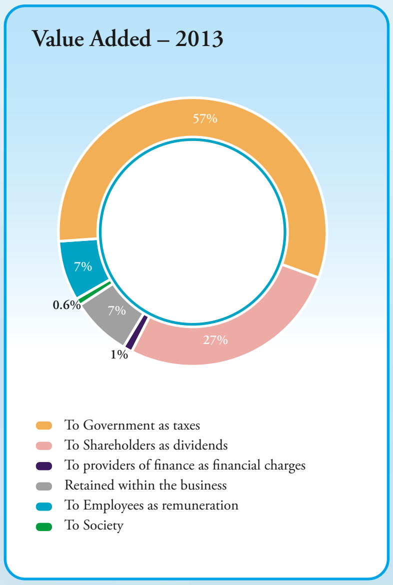
Value addition in terms of foreign exchange savings worked out to US $ 833 million through import substitution based on 2,403 thousand tonnes of urea manufactured during the year.

Total value addition to the economy in 2014 was Rs. 75.47 billion.

NPBT & Contribution to National Exchequer (Rs. million)







Statement of Value Added

	2014		2013	
	Rs. million	%	Rs. million	%
Wealth Generated				
Total revenue inclusive of sales tax				
and other income	100,149	132.7%	92,333	120.2%
Purchases - material and services (net)	24,679	32.7%	15,498	20.2%
	75,470	100.0%	76,835	100.0%
Wealth Distribution				
To Employees as remuneration				
Salaries, wages and other benefits				
including retirement benefits	6,661	8.8%	5,708	7.4%
To Government as taxes				
Income tax, sales tax, excise duty				
and custom duty*	43,135	57.2%	41,348	53.8%
WPPF and WWF	1,892	2.5%	2,201	2.9%
To Shareholders as dividend	17,583	23.3%	20,678	26.9%
To providers of finance as financial charges	753	1.0%	759	1.0%
Retained within the business	5,258	7.0%	5,695	7.4%
To Society				
Donations and welfare activities	188	0.2%	446	0.6%
	75,470	100.0	76,835	100

* includes accrued GIDC

Economic Value Added	13,632		15,395	

Statement of Charity Account

	2014
	Rs. million
Education	67
Health care & Environment	66
Sports development	1
Community Welfare	19
National Cause	24
General donations	11
	188

Rural Development Programmes

Rural development at Jhimpir

FFC has played an exceptionally vital role in the development of Jhimpir, and during 2014, inaugurated projects worth Rs. 6.5 million which included the following:

- Construction of a maternity center and an operation theater
- Construction of solar model village
- Solar lighting for Omar Chang Primary School
- Provision of school furniture
- Renovation of central town Jamia Masjid
- Construction of water tanks at village Omar Chang, Suleman Palari and Khamiso Shoro

Fauji Foundation Rural Welfare Complex at Kot Ghulam Muhammad

Construction of a multifaceted rural welfare complex at Kot Ghulam Muhammad comprising of the following facilities was inaugurated during the year:

- Model School
- Vocational Training Center
- Technical Training Center
- Dispensary
- Accommodation block and hostels
- Energy efficient cooling system
- Primary power through 62 KW solar power system
- Water storage capacity of 175 thousand gallons

Rural development through technical training

Technical Training Centre Dharki is a reputed institution providing skill development and technical expertise to Mirpur Mathelo and surrounding communities. A multi-purpose hall is under construction with the Company contribution catering for training requirements.

Forward Looking Statement

2014 witnessed increase in GIDC cost at the beginning of the year and again during July 2014. A significant portion of this price increase had to be absorbed because of market conditions, negatively impacting the Company margins.

The Company however attained all of the Board's objectives in terms of profitability, diversification and good governance.

Going forward, Company urea production and sales are expected to remain fairly consistent whereas operating and other costs, except for the cost of feed/fuel gas, are projected to move in line with historical trends. However, our performance is based on a variety of external factors many of which are beyond the Company's control. A higher than projected change in these factors can lead to material variances between actual and projected performance. Quantification of projections / forecasts can therefore expose FFC towards the possibility of over / under valuation of Company equity, by the market.

The achievement of Tariff True-up by FFC Energy during 2014 shall add to the revenues of the wind power project and returns for the Company. Incremental dividend receipt from Fauji Cement and first ever dividend distribution from Askari Bank provide further confidence of sustained profitability, as a result of strategic objectives of the Company. Construction work on the Individually Quick Freeze (IQF) Plant of Fauji Fresh n Freeze Limited (formerly Al-Hamd Foods Limited), is progressing as per plan with scheduled inauguration during 2015.

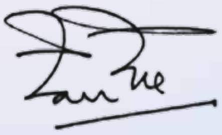
FFC is also evaluating further diversification, this time into establishing an offshore fertilizer plant in Tanzania, which offers strong prospective fertilizer demand within Tanzania and its neighbouring landlocked countries, to augment Company profitability in addition to extension of technical / professional services to other fertilizer complexes. We are further exploring the prospects of coal mining and the Company is considering undertaking of initial technical, geographical and commercial evaluation before final decision on project implementation.

Pursuant to our drive for energy conservation and identification of alternate energy sources, FFC is evaluating the installation of coal fired boilers to hedge against gas curtailment and declining gas reserves.

The Board is confident that with the implementation of effective mitigation strategies, cost economization and consolidation of our diversification initiatives, we shall continue to provide sustained returns to our shareholders, in addition to maintaining our reputation for good governance.

Favourable Governmental policies in line with the Fertilizer Policy 2001 shall play a vital role towards ensuring the availability of affordable indigenous fertilizers for the farming community, in addition to assisting the Government not only in terms of foreign exchange and subsidy savings, but also towards ensuring food security in the Country.

On behalf of the Board,



Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar (Retired)
Chairman
Rawalpindi
January 30, 2015

Financial Statements

Fauji Fertilizer Company Limited

Report of the Audit Committee

on Adherence to the Code of Corporate Governance

The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2014, and reports that:

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

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

- Appropriate accounting policies have been consistently applied. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, for the financial year ended December 31, 2014, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiaries for the year under review.

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

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

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

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

INTERNAL AUDIT

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

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

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

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

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

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

EXTERNAL AUDITORS

- The statutory Auditors of the Company, A.F. Ferguson & Co., Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2014 and shall retire on the conclusion of the 37th Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observations and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on financial statements under the listing regulations and shall accordingly be discussed in the next Audit Committee Meeting. Audit observations for interim review were also discussed with the Auditors.

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the General Meetings of the Company during the year and have confirmed attendance of the 37th Annual General Meeting scheduled for March 17, 2015 and have indicated their willingness to continue as Auditors.

- Based on a notice received from a shareholder to change the Auditors and in view of the good governance, the Audit Committee has recommended the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as External Auditors of the Company for the year ending December 31, 2015.

Engr Rukhsana Zubari
Chairperson - Audit Committee

Rawalpindi
January 30, 2015

Statement of Compliance
with the Code of Corporate Governance

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

The Company has applied the principles contained in the CCG in the following manner:-

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the Board includes:-

Category of Directors	Names
Non-Executive	Lt Gen Khalid Nawaz Khan, HI(M) (Retd)
Non-Executive	Mr. Qaiser Javed
Non-Executive	Dr. Nadeem Inayat
Non-Executive	Mr. Jorgen Madsen
Non-Executive	Maj Gen Ghulam Haider, HI(M) (Retd)
Non-Executive	Brig Dr. Gulfam Alam, SI(M) (Retd)
Non-Executive	Mr. Khizar Hayat Khan
Non-Executive	Maj Gen Muhammad Farooq Iqbal, HI(M) (Retd)
Executive	Lt Gen Naeem Khalid Lodhi, HI(M) (Retd)
Independent	Engr Rukhsana Zuberi
Independent	Mr. Farhad Shaikh Mohammad
Independent	Mr. Shahid Ghaffar
Independent	Ms. Nargis Ghaloo

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

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

4. Following casual vacancies occurring in the Board during the year 2014 were filled up by the directors within 7 days:

   - Maj Gen Ghulam Haider, HI(M) (Retd) appointed in place of Brig Dr. Gulfam Alam, SI(M) (Retd) w.e.f March 01, 2014
   - Maj Gen Muhammad Farooq Iqbal, HI(M) (Retd) appointed in place of Maj Gen Nasir Mahmood, HI(M) (Retd) w.e.f June 02, 2014
   - Brig Dr. Gulfam Alam, SI(M) (Retd) appointed in place of Brig Parvez Sarwar Khan, SI(M) (Retd) w.e.f June 02, 2014
   - Mr. Muhammad Raeesuddin Paracha appointed in place of Mr. Alamuddin Bullo w.e.f June 02, 2014
   - Mr. Shahid Ghaffar appointed in place of Mr. Manzoor Ahmed w.e.f October 20, 2014
   - Ms Nargis Ghaloo appointed in place of Mr. Muhammad Raeesuddin Paracha w.e.f. November 05, 2014
   - Lt Gen Khalid Nawaz Khan, HI(M) (Retd) appointed in place of Lt Gen Muhammad Mustafa Khan, HI(M) (Retd) w.e.f January 02, 2015

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

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

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

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

9. Eleven of the directors have attended directors' training program during the year 2014. The remaining two directors shall obtain certification under directors' training program upto 2016.

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

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

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

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

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

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

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

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

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

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.

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

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

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

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

Naeem Khalid

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

Rawalpindi
January 30, 2015

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Fauji Fertilizer Company Limited (the Company) for the year ended December 31, 2014, to comply with the requirements of Listing Regulation No. 35 of the respective Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2014.

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Engagement Partner: M. Imtiaz Aslam
Islamabad
January 30, 2015

Auditor's Report to the Members
of Fauji Fertilizer Company Limited

We have audited the annexed balance sheet of Fauji Fertilizer Company Limited (the Company) as at December 31, 2014 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, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion -

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2014 and of the profit, total comprehensive income, 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 the Central Zakat Fund established under section 7 of that Ordinance.

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Engagement Partner: M. Imtiaz Aslam
Islamabad
January 30, 2015

Balance Sheet
as at December 31, 2014

	Note	2014	2013
		(Rupees '000)	
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	12,722,382	12,722,382
Capital reserves	6	160,000	160,000
Revenue reserves	7	12,483,585	12,258,373
Surplus on remeasurement of investments			
available for sale to fair value		303,564	10,508
		25,669,531	25,151,263
NON - CURRENT LIABILITIES			
Long term borrowings	8	2,500,000	4,280,000
Deferred liabilities	9	4,574,028	4,078,369
		7,074,028	8,358,369
CURRENT LIABILITIES			
Trade and other payables	10	37,904,434	21,854,125
Interest and mark-up accrued	12	30,117	22,098
Short term borrowings	13	11,602,443	7,000,000
Current portion of long term borrowings	8	1,780,000	1,460,000
Taxation		2,501,109	3,983,215
		53,818,103	34,319,438
TOTAL EQUITY AND LIABILITIES		86,561,662	67,829,070
CONTINGENCIES AND COMMITMENTS	14		

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

	Note	2014	2013
		(Rupees '000)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	20,093,898	18,444,188
Intangible assets	16	1,611,204	1,651,592
Long term investments	17	28,134,520	20,662,532
Long term loans and advances	18	823,188	740,408
Long term deposits and prepayments	19	15,624	2,654
		50,678,434	41,501,374
CURRENT ASSETS			
Stores, spares and loose tools	20	3,314,823	3,244,645
Stock in trade	21	981,750	301,957
Trade debts	22	822,460	700,541
Loans and advances	23	1,058,754	921,460
Deposits and prepayments	24	26,376	37,225
Other receivables	25	1,072,461	799,922
Short term investments	26	27,432,837	18,960,295
Cash and bank balances	27	1,173,767	1,361,651
		35,883,228	26,327,696
TOTAL ASSETS		86,561,662	67,829,070

Chairman | Chief Executive | Director

Profit and Loss Account
for the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
Sales	28	81,240,187	74,480,611
Cost of sales	29	50,136,749	39,948,572
GROSS PROFIT		31,103,438	34,532,039
Distribution cost	30	6,431,667	6,167,280
		24,671,771	28,364,759
Finance cost	31	848,940	756,215
Other expenses	32	2,302,937	2,557,937
		21,519,894	25,050,607
Other income	33	4,720,866	4,367,941
NET PROFIT BEFORE TAXATION		26,240,760	29,418,548
Provision for taxation	34	8,070,000	9,284,000
NET PROFIT AFTER TAXATION		18,170,760	20,134,548
Earnings per share - basic and diluted (Rupees)	35	14.28	15.83

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

Chairman | Chief Executive | Director

Statement of Comprehensive Income
for the year ended December 31, 2014

	2014	2013
	(Rupees '000)	
Net profit after taxation	18,170,760	20,134,548
Other comprehensive income		
Gain on remeasurement of staff retirement benefit plans - net of tax	56,621	47,791
Surplus on remeasurement of investments available for sale to fair value - net of tax	293,056	2,813
Other comprehensive income - net of tax	349,677	50,604
Total comprehensive income for the year	18,520,437	20,185,152

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

Chairman

Chief Executive

Director

Cash Flow Statement
for the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	39,191,657	35,783,891
Finance cost paid		(753,024)	(759,038)
Income tax paid		(9,349,085)	(9,754,711)
Net cash generated from operating activities		29,089,548	25,270,142
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,478,894)	(2,295,269)
Proceeds from disposal of property, plant and equipment		45,286	49,583
Interest received		1,283,293	1,242,488
Sale of shares in Fauji Fertilizer Bin Qasim Limited		375,139	–
Investment in Askari Bank Limited		–	(10,461,921)
Investment in FFC Energy Limited		–	(138,250)
Investment in Fauji Fresh n Freeze Limited (formerly Al-Hamd Foods Limited)		(450,000)	(585,500)
(Increase) / decrease in other investment - net		(8,083,631)	919,406
Dividends received		2,578,319	2,586,042
Net cash used in investing activities		(7,730,488)	(8,683,421)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		–	1,950,000
- repayments		(1,460,000)	(1,513,750)
Dividends paid		(17,582,658)	(20,677,553)
Net cash used in financing activities		(19,042,658)	(20,241,303)
Net increase / (decrease) in cash and cash equivalents		2,316,402	(3,654,582)
Cash and cash equivalents at beginning of the year		13,012,602	16,571,069
Effect of exchange rate changes		(47,862)	96,115
Cash and cash equivalents at end of the year	38	15,281,142	13,012,602

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

Chairman	Chief Executive	Director

Statement of Changes in Equity
for the year ended December 31, 2014

	Share capital	Capital reserves	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Surplus on remeasurement of investments available for sale to fair value	Total
	(Rupees '000)					
Balance at January 1, 2013	12,722,382	160,000	5,502,360	7,374,769	7,695	25,767,206
Transfer to general reserve	–	–	1,300,000	(1,300,000)	–	–
Total comprehensive income for the year						
Profit after taxation	–	–	–	20,134,548	–	20,134,548
Other comprehensive income - net of tax	–	–	–	47,791	2,813	50,604
	–	–	–	20,182,339	2,813	20,185,152
Distribution to owners						
Final dividend 2012: Rs 5.00 per share	–	–	–	(6,361,191)	–	(6,361,191)
First interim dividend 2013: Rs 3.50 per share	–	–	–	(4,452,834)	–	(4,452,834)
Second interim dividend 2013: Rs 3.75 per share	–	–	–	(4,770,893)	–	(4,770,893)
Third interim dividend 2013: Rs 4.10 per share	–	–	–	(5,216,177)	–	(5,216,177)
	–	–	–	(20,801,095)	–	(20,801,095)
Balance at December 31, 2013	12,722,382	160,000	6,802,360	5,456,013	10,508	25,151,263
Transfer to general reserve	–	–	–	–	–	–
Total comprehensive income for the year						
Profit after taxation	–	–	–	18,170,760	–	18,170,760
Other comprehensive income - net of tax	–	–	–	56,621	293,056	349,677
	–	–	–	18,227,381	293,056	18,520,437
Distribution to owners						
Final dividend 2013: Rs 4.00 per share	–	–	–	(5,088,952)	–	(5,088,952)
First interim dividend 2014: Rs 3.00 per share	–	–	–	(3,816,714)	–	(3,816,714)
Second interim dividend 2014: Rs 3.40 per share	–	–	–	(4,325,610)	–	(4,325,610)
Third interim dividend 2014: Rs 3.75 per share	–	–	–	(4,770,893)	–	(4,770,893)
	–	–	–	(18,002,169)	–	(18,002,169)
Balance at December 31, 2014	12,722,382	160,000	6,802,360	5,681,225	303,564	25,669,531

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

Chairman | Chief Executive | Director

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Company Limited (the Company) is a public company incorporated in Pakistan under the Companies Act, 1913, (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered office of the Company is situated at 156 - The Mall, Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizer, chemical, other manufacturing, energy generation and banking operations.

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

2. STATEMENT OF COMPLIANCE

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

3. USE OF ESTIMATES AND JUDGEMENTS

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

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

(i) Retirement benefits - note 11
(ii) Estimate of useful life of property, plant and equipment - note 15
(iii) Estimate of useful life of intangible assets - note 16
(iv) Estimate of recoverable amount of goodwill - note 16
(v) Estimate of recoverable amount of investment in associated companies - note 17
(vi) Provision for taxation - note 34

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of measurement

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

4.2 Functional and presentation currency

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

4.3 Staff Retirement benefits

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

Funded Gratuity and Pension Fund:

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

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

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

Contributory Provident Fund

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

(b) Compensated absences

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

4.4 Taxation

Income tax expense comprises of current and deferred tax.

Current tax

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

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is not recognised on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

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

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

4.5 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any except freehold land and capital work in progress, which are stated at cost less impairment losses, if any. Cost comprises acquisition and other directly attributable costs.

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

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

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

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

4.6 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as an expense in the profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For non-financial assets and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in statement of comprehensive income.

4.7 Goodwill

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

4.8 Investments

4.8.1 Investment in subsidiaries

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

The profits and losses of subsidiaries are carried forward in their financial statements and not dealt within these financial statements except to the extent of dividend declared by the subsidiaries. Gains and losses on disposal of investment are included in other income. When the disposal of investment in subsidiary resulted in loss of control such that it becomes an associate, the retained investment is carried at cost.

4.8.2 Investment in associates and jointly controlled entities

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

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

4.8.3 Investment available for sale

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

4.8.4 Acquisition under common control

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

4.8.5 Investments at fair value through profit or loss

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 fair value through profit or loss and designated as such upon initial recognition. These are stated at fair values with any resulting gains or losses recognized directly in profit or loss.

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

4.8.6 Loans and receivables

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

4.9 Stores, spares and loose tools

Stores, spares and loose tools are valued at weighted average cost less impairment. The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools. Impairment is also made for slow moving spares. Stores in transit are stated at invoice value plus other charges paid thereon.

4.10 Stock in trade

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

Cost is determined as follows:

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

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

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

4.11 Foreign currency transaction and translation

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

4.12 Revenue recognition

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

4.13 Borrowing costs

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

4.14 Research and development costs

Research and development costs are charged to profit or loss as and when incurred.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

4.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

4.16 Basis of allocation of common expenses

Selling and distribution expenses are allocated to Fauji Fertilizer Bin Qasim Limited (FFBL), in proportion to the sales volume handled on its behalf under the Inter Company Services Agreement.

4.17 Dividend and reserve appropriation

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

4.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

4.19 Financial instruments

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

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

4.20 Mark-up bearing borrowings

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

4.21 Trade and other payables

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

4.22 Trade debts and other receivables

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

4.23 Earnings per share

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

4.24 Finance income and finance costs

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

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

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

4.25 Operating leases

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

4.26 Intangible assets

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

4.27 Contingent Liabilities

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

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

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

		Effective date (annual reporting periods beginning on or after)
IAS 27	Separate financial statements (Amendments)	January 1, 2015
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2015
IFRS 10	Consolidated financial statements (Amendments)	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of interests in other entities (Amendments)	January 1, 2015
IFRS 13	Fair value measurement	January 1, 2015

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

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

		Effective date (annual reporting periods beginning on or after)
IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 14	Regulatory Deferral accounts	January 1, 2014
IFRS 15	Revenue from customers	January 1, 2014
IFRIC 21	Levies	January 1, 2014

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

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

5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2013: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2013: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014	2013		2014	2013
(Numbers)			(Rupees '000)	
256,495,902	256,495,902	Ordinary shares of Rs 10 each		
		issued for consideration in cash	2,564,959	2,564,959
1,015,742,345	1,015,742,345	Ordinary shares of Rs 10 each		
		issued as fully paid bonus shares	10,157,423	10,157,423
1,272,238,247	1,272,238,247		12,722,382	12,722,382

5.1 Fauji Foundation held 44.35% (2013: 44.35%) ordinary shares of the Company at the year end.

		Note	2014	2013
			(Rupees '000)	
6.	CAPITAL RESERVES			
	Share premium	6.1	40,000	40,000
	Capital redemption reserve	6.2	120,000	120,000
			160,000	160,000

6.1 Share premium

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

6.2 Capital redemption reserve

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

		2014	2013
		(Rupees '000)	
7.	REVENUE RESERVES		
	General reserve	6,802,360	6,802,360
	Unappropriated profit	5,681,225	5,456,013
		12,483,585	12,258,373

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
8. LONG TERM BORROWINGS			
Loans from banking companies - secured	8.1		
Al - Baraka Bank (Pakistan) Limited (AIBL)		25,000	75,000
Dubai Islamic Bank (Pakistan) Limited (DIBL - 1)		30,000	90,000
Dubai Islamic Bank (Pakistan) Limited (DIBL - 2)		350,000	450,000
Meezan Bank Limited (MBL)		250,000	500,000
Bank of Punjab (BOP - 1)		125,000	250,000
Bank of Punjab (BOP - 2)		750,000	1,000,000
Allied Bank Limited (ABL)		1,250,000	1,875,000
United Bank Limited (UBL)		1,500,000	1,500,000
		4,280,000	5,740,000
Less: Current portion shown under current liabilities		1,780,000	1,460,000
		2,500,000	4,280,000

8.1 Terms and conditions of these borrowings are as follows:

Lenders	Mark-up rates p.a. (%)	No of installments outstanding	Date of final repayment
AIBL	6 Months KIBOR+0.50	1 half yearly	June 27, 2015
DIBL - 1	6 Months KIBOR+0.35	1 half yearly	June 30, 2015
DIBL - 2	6 Months KIBOR+0.35	7 half yearly	June 26, 2018
MBL	6 Months KIBOR+0.50	2 half yearly	December 31, 2015
BOP - 1	6 Months KIBOR+0.50	2 half yearly	December 30, 2015
BOP - 2	6 Months KIBOR+0.50	6 half yearly	December 27, 2017
ABL	6 Months KIBOR+0.50	4 half yearly	December 23, 2016
UBL	6 Months KIBOR+0.35	8 half yearly	December 27, 2018

These finances are secured by an equitable mortgage on the Company's assets and hypothecation of all Company's assets including plant and machinery, stores, spares and loose tools and all other moveable properties including stocks and book debts, ranking pari passu with each other with 25% margin.

	Note	2014	2013
		(Rupees '000)	
9. DEFERRED LIABILITIES			
Deferred taxation	9.1	3,650,872	3,259,563
Provision for compensated leave absences	9.2	923,156	818,806
		4,574,028	4,078,369

		2014	2013
		(Rupees '000)	
9.1	**Deferred taxation**		
	The balance of deferred tax is in respect of the following temporary differences:		
	Accelerated depreciation / amortisation	3,765,586	3,539,000
	Provision for slow moving spares, doubtful debts, other receivables and investments	(139,565)	(116,000)
	Retirement benefit obligation	(132,949)	(163,437)
	Remeasurement of investment available for sale	157,800	–
		3,650,872	3,259,563
	The gross movement in the deferred tax liability during the year is as follows:		
	Balance at the beginning	3,259,563	3,147,962
	Tax charge recognised in profit and loss account	203,021	89,000
	Tax charge recognised in other comprehensive income	188,288	22,601
	Balance at the end	3,650,872	3,259,563
9.2	**Movement of provision for compensated leave absences:**		
	Balance at the beginning	818,806	767,297
	Provision during the year	172,284	156,899
		991,090	924,196
	Encashed during the year	(67,934)	(105,390)
	Balance at the end	923,156	818,806

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

		2014	2013
		(Rupees '000)	
10.	**TRADE AND OTHER PAYABLES**		
	Creditors	25,417,864	8,663,733
	Accrued liabilities	2,415,831	3,297,691
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured	131,667	347,142
	Sales tax payable - net	1,090,128	814,939
	Deposits	215,453	196,107
	Retention money	162,956	123,418
	Advances from customers	6,378,845	6,417,376
	Workers' Welfare Fund	1,191,661	1,073,544
	Payable to gratuity fund	–	436,283
	Unclaimed dividend	866,481	446,970
	Other liabilities	33,548	36,922
		37,904,434	21,854,125

Creditors include Rs 24,740,966 thousand (2013: Rs 8,532,062 thousand) on account of Gas Infrastructure Development Cess (GIDC). In accordance with GIDC Act, 2011 the Company was required to pay GIDC at the rates specified in the second schedule. During the year the Honorable Supreme Court dismissed appeals against an earlier decision of the Honorable Peshawar High Court which declared GIDC Act, 2011 Ultra Vires to the Constitution. The President of Pakistan promulgated the GIDC Ordinance, 2014 on September 25, 2014 with retrospective effect which ordinance is yet to be passed by the National Assembly. The Honorable Islamabad High Court has granted stay against recovery of GIDC through a stay order in December 2014.

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

		Funded gratuity	Funded pension	2014 Total	2013 Total
			(Rupees '000)		
11.	**RETIREMENT BENEFIT FUNDS**				
i)	**The amounts recognized in the balance sheet are as follows:**				
	Present value of defined benefit obligation	1,818,169	2,491,821	4,309,990	3,915,304
	Fair value of plan assets	(1,846,259)	(2,550,840)	(4,397,099)	(3,488,780)
	(Asset) / Liability	(28,090)	(59,019)	(87,109)	426,524
ii)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	96,564	101,942	198,506	170,499
	Net interest cost	53,354	1,884	55,238	49,250
		149,918	103,826	253,744	219,749
iii)	**Movement in the present value of defined benefit obligation:**				
	Present value of defined benefit obligation at beginning	1,609,419	2,305,885	3,915,304	3,604,654
	Current service cost	96,564	101,942	198,506	170,499
	Interest cost	201,411	294,552	495,963	428,478
	Benefits paid	(118,692)	(115,654)	(234,346)	(297,779)
	Remeasurement of defined benefit obligation	29,467	(94,904)	(65,437)	9,452
	Present value of defined benefit obligation at end	1,818,169	2,491,821	4,309,990	3,915,304
iv)	**Movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	1,173,136	2,315,644	3,488,780	3,186,349
	Expected return on plan assets	148,057	292,668	440,725	379,228
	Contributions	586,201	94,067	680,268	139,120
	Benefits paid	(118,692)	(115,654)	(234,346)	(297,779)
	Remeasurement of plan assets	57,557	(35,885)	21,672	81,862
	Fair value of plan assets at end	1,846,259	2,550,840	4,397,099	3,488,780
v)	**Actual return on plan assets**	205,614	256,783	462,397	461,090
vi)	**Contributions expected to be paid to the plan during the next year**	102,983	100,199	203,182	253,744
vii)	**Plan assets comprise of:**				
	Investment in debt securities	621,981	1,594,151	2,216,132	2,013,030
	Investment in equity securities	800,646	802,931	1,603,577	1,178,073
	Deposits with banks	256,635	125,568	382,203	149,296
	Mutual Funds	166,997	28,190	195,187	148,381
		1,846,259	2,550,840	4,397,099	3,488,780

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

		Funded gratuity		Funded pension	
		2014	2013	2014	2013
		(Rupees '000)		(Rupees '000)	
ix)	**Movement in (asset) / liability recognised in balance sheet:**				
	Opening liability	436,283	367,962	(9,759)	50,343
	Cost for the year recognised in profit or loss	149,918	125,368	103,826	94,381
	Employer's contribution during the year	(586,201)	(91,929)	(94,067)	(47,191)
	Total amount of remeasurement recognised in Other Comprehensive Income (OCI) during the year	(28,090)	34,882	(59,019)	(107,292)
	Closing (asset) / liability	(28,090)	436,283	(59,019)	(9,759)
x)	**Remeasurements recognised in OCI during the year:**				
	Remeasurment (loss) / gain on obligation	(29,467)	(61,243)	94,904	51,791
	Remeasurment gain / (loss) on plan assets	57,557	26,361	(35,885)	55,501
	Remeasurment gain / (loss) recognised in OCI	28,090	(34,882)	59,019	107,292

		2014		2013	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
		(Percentage)			
xi)	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	11.50	11.50	13.00	13.00
	Expected rate of salary growth				
	Management	11.50	11.50	13.00	13.00
	Non - Management	10.50	–	12.00	–
	Expected rate of return on plan assets	11.50	11.50	13.00	13.00
	Expected rate of increase in post retirement pension	–	5.50	–	7.00
	Demographic assumptions				
	Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)	SLIC (2001-05)
	Rates of employee turnover				
	Management	Moderate	Moderate	Moderate	Moderate
	Non - Management	Light	–	Light	–

xii) **Sensitivity analysis**

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

	Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease
	(Rupees '000)	
Discount rate	(346,853)	409,786
Future salary growth	138,515	(127,863)
Future pension	187,001	(160,730)

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

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

	Gratuity	Pension
	(Years)	
Plan Duration		
December 31, 2014	6.50	7.00

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

xv) Projected benefit payments from funds are as follows:

	Gratuity	Pension
	(Rupees '000)	
FY 2015	153,782	185,543
FY 2016	332,651	193,880
FY 2017	207,577	207,691
FY 2018	284,307	248,255
FY 2019	232,016	209,189
FY 2020 - FY 2024	1,456,111	1,507,877
FY 2025 - FY 2029	1,926,038	2,179,571

xvi) "Salaries, wages and benefits" expense, stated in notes 29 and 30 include retirement benefits in respect of gratuity, provident fund, pension plan and compensated absences amounting to Rs 149,918 thousand, Rs 112,607 thousand, Rs 103,826 thousand and Rs 172,284 thousand respectively (2013: Rs 125,368 thousand, Rs 102,393 thousand, Rs 94,381 thousand and Rs 156,899 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under Inter Company Services Agreement.

		2014 Total	2013 Total
		(Rupees '000)	
11.1	**Defined contribution plan**		
	Details of the Employees' Provident Fund based on unaudited financial statements for the year ended December 31, 2014 are as follows:		
	Size of the fund (total assets)	5,273,006	4,309,085
	Cost of investments made	4,533,096	3,657,124
	Fair value of investments made	4,737,691	3,860,364
		%	%
	Percentage of investments made	90	90

	2014 Rupees '000	2014 % age	2013 Rupees '000	2013 % age
Breakup of investment - at cost				
Term deposits and funds with scheduled banks	2,697,876	60	2,002,931	55
Government securities	276,299	6	37,908	1
Listed securities, mutual funds and term finance certificates	1,558,921	34	1,616,285	44
	4,533,096	100	3,657,124	100

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

	Note	2014	2013
		(Rupees '000)	
12. INTEREST AND MARK - UP ACCRUED			
On long term borrowings		7,333	9,222
On short term borrowings		22,784	12,876
		30,117	22,098
13. SHORT TERM BORROWINGS			
Short term running finance facilities from			
banking companies - secured	13.1		
MCB Bank Limited (MCB - 1)		1,300,000	1,200,000
MCB Bank Limited (MCB - 2)		100,000	–
Allied Bank Limited (ABL)		2,000,000	2,000,000
Bank Al-Habib Limited (BAHL)		989,393	–
United Bank Limited (UBL)		750,000	–
Askari Bank Limited (AKBL)		491,576	–
Bank Alfalah Limited (BAF)		499,985	–
Habib Bank Limited (HBL)		1,596,489	–
Istisna facilities			
Meezan Bank Limited (MBL - 1)		2,925,000	1,200,000
Meezan Bank Limited (MBL - 2)		500,000	2,000,000
Bank Islami Pakistan Limited (BIPL)		–	600,000
Dubai Islamic Bank (Pakistan) Limited (DIBL)		450,000	–
		11,602,443	7,000,000

13.1 Terms and conditions of these borrowings are as follows:

Lender	Mark-up rate p.a. (%)	Maturity date
MCB Bank Limited (MCB - 1)	1 month KIBOR + 0.08	May 31, 2015
MCB Bank Limited (MCB - 2)	1 month KIBOR + 0.35	May 31, 2015
Allied Bank Limited (ABL)	3 month KIBOR + 0.15	July 31, 2015
Bank Al-Habib Limited (BAHL)	1 month KIBOR + 0.05	June 30, 2015
United Bank Limited (UBL)	1 month KIBOR + 0.25	January 31, 2015
Askari Bank Limited (AKBL)	1 month KIBOR + 0.20	June 30, 2015
Bank Alfalah Limited (BAF)	3 month KIBOR + 0.10	March 31, 2015
Habib Bank Limited (HBL)	1 month KIBOR + 0.30	April 30, 2015
Meezan Bank Limited (MBL - 1)	3 month KIBOR + 0.10	May 31, 2015
Meezan Bank Limited (MBL - 2)	3 month KIBOR + 0.05	March 26, 2015
Dubai Islamic Bank (Pakistan) Limited (DIBL)	1 month KIBOR + 0.10	June 30, 2015

These represent amounts available against facilities available from various banking companies under mark-up / profit arrangements amounting to Rs 13.30 billion (2013: Rs 10.35 billion) which represent the aggregate of sale prices of all mark-up / profit agreements between the Company and respective banks.

The facilities are secured by pari passu and ranking hypothecation charges on assets of the Company. Facilities amounting to Rs 1.0 billion (2013: Rs 2.0 billion) are secured against lien over Term Deposit Receipts / PIBs.

Notes to and forming part of the Financial Statements
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			2014	2013
			(Rupees '000)	
14.	**CONTINGENCIES AND COMMITMENTS**			
	a)	**Contingencies:**		
	i)	Guarantees issued by banks on behalf of the Company	50,997	59,281
	ii)	Claims against the Company and / or potential exposure not acknowledged as debt	50,696	50,696

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

		2014	2013
		(Rupees '000)	
b)	**Commitments in respect of:**		
i)	Capital expenditure	2,913,033	1,302,329
ii)	Purchase of fertilizer, stores, spares and other operational items	2,869,125	1,768,194
iii)	Investment in Fauji Fresh n Freeze Limited (formerly Al-Hamd Foods Limited)	435,000	550,000
iv)	Rentals under lease agreements:		
	Premises - not later than one year	71,398	88,464
	- later than one year and not later than:		
	two years	31,740	47,878
	three years	26,394	23,740
	four years	27,262	26,395
	five years	27,342	879
	Vehicles - not later than one year	33,538	33,292
	- later than one year and not later than:		
	two years	23,263	21,596
	three years	15,376	18,695
	four years	12,592	11,679
	five years	10,691	6,363

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Buildings and structures on freehold land	Buildings and structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 15.3)	Total
	(Rupees '000)													
As at January 1, 2013														
Cost	534,811	178,750	4,888,462	42,150	26,517	26,371,128	1,149,115	457,442	198,215	431,028	1,519,571	20,194	2,002,191	37,819,574
Accumulated Depreciation	-	(106,599)	(1,808,180)	(41,299)	(26,517)	(15,640,906)	(575,401)	(291,980)	(105,269)	(266,428)	(1,120,396)	(17,844)	-	(20,000,819)
Net Book Value	534,811	72,151	3,080,282	851	-	10,730,222	573,714	165,462	92,946	164,600	399,175	2,350	2,002,191	17,818,755
Year ended December 31, 2013														
Opening Net Book Value	534,811	72,151	3,080,282	851	-	10,730,222	573,714	165,462	92,946	164,600	399,175	2,350	2,002,191	17,818,755
Additions	-	-	418,168	-	-	1,056,589	288,739	434,910	110,031	97,134	222,374	1,902	2,254,912	4,884,759
Disposals														
Cost	-	-	(17,127)	-	-	(122)	-	(19,901)	(4,207)	(43,370)	(12,675)	-	-	(97,402)
Depreciation	-	-	-	-	-	50	-	15,335	3,573	43,370	12,499	-	-	74,827
	-	-	(17,127)	-	-	(72)	-	(4,566)	(634)	-	(176)	-	-	(22,575)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	(2,608,794)	(2,608,794)
Depreciation Charge	-	(14,071)	(209,765)	(106)	-	(834,957)	(234,228)	(97,285)	(26,274)	(56,356)	(153,603)	(1,312)	-	(1,627,957)
Closing Net Book Value	534,811	58,080	3,271,558	745	-	10,951,782	628,225	498,521	176,069	205,378	467,770	2,940	1,648,309	18,444,188
As at January 1, 2014														
Cost	534,811	178,750	5,289,503	42,150	26,517	27,427,595	1,437,854	872,451	304,039	484,792	1,729,270	22,096	1,648,309	39,998,137
Accumulated depreciation	-	(120,670)	(2,017,945)	(41,405)	(26,517)	(16,475,813)	(809,629)	(373,930)	(127,970)	(279,414)	(1,261,500)	(19,156)	-	(21,553,949)
Net Book Value	534,811	58,080	3,271,558	745	-	10,951,782	628,225	498,521	176,069	205,378	467,770	2,940	1,648,309	18,444,188
Year ended December 31, 2014														
Opening Net Book Value	534,811	58,080	3,271,558	745	-	10,951,782	628,225	498,521	176,069	205,378	467,770	2,940	1,648,309	18,444,188
Additions	9,436	-	306,957	216,240	-	1,381,134	583,853	98,839	48,136	108,301	254,171	1,434	2,640,753	5,649,254
Disposals														
Cost	-	-	(1,578)	-	-	(8,672)	(213,769)	(18,149)	(1,238)	(39,630)	(16,994)	-	-	(300,030)
Depreciation	-	-	1,051	-	-	2,173	213,769	17,854	1,209	34,957	16,806	-	-	287,819
	-	-	(527)	-	-	(6,499)	-	(295)	(29)	(4,673)	(188)	-	-	(12,211)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	(2,179,162)	(2,179,162)
Adjustments														
Cost	-	-	(1,733,407)	1,733,407	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	108,459	(108,459)	-	-	-	-	-	-	-	-	-	-
	-	-	(1,624,948)	1,624,948	-	-	-	-	-	-	-	-	-	-
Depreciation Charge	-	(14,072)	(134,205)	(91,880)	-	(887,061)	(267,760)	(105,214)	(29,031)	(69,360)	(208,127)	(1,461)	-	(1,808,171)
Balance as at December 31, 2014	544,247	44,008	1,818,835	1,750,053	-	11,439,356	944,318	491,851	195,145	239,646	513,626	2,913	2,109,900	20,093,898
As at December 31, 2014														
Cost	544,247	178,750	3,861,475	1,991,797	26,517	28,800,057	1,807,938	953,141	350,937	553,463	1,966,447	23,530	2,109,900	43,168,199
Accumulated depreciation	-	(134,742)	(2,042,640)	(241,744)	(26,517)	(17,360,701)	(863,620)	(461,290)	(155,792)	(313,817)	(1,452,821)	(20,617)	-	(23,074,301)
Net Book Value	544,247	44,008	1,818,835	1,750,053	-	11,439,356	944,318	491,851	195,145	239,646	513,626	2,913	2,109,900	20,093,898
Rate of depreciation / amortisation in %	-	61/4 to 91/4	5 to 10	5	5	5	20	15	10	20	15 - 33 1/3	30	-	-

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		Note	2014	2013
			(Rupees '000)	
15.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	29	1,717,142	1,538,622
	Distribution cost	30	73,479	72,024
	Charged to FFBL under Inter Company Services Agreement		17,550	17,311
			1,808,171	1,627,957

15.2 Details of property, plant and equipment disposed off:

Description	Mode of disposal	Original Cost	Book value	Sale proceeds
			(Rupees '000)	
Office and electrical equipment, furniture and fixture and maintenance and other equipment				
EFU Insurance	Insurance claim	16,989	11,282	22,115
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		283,041	929	23,171
2014		300,030	12,211	45,286
2013		97,402	22,575	49,583

		Note	2014	2013
			(Rupees '000)	
15.3	**Capital Work in Progress**			
	Civil works including mobilization advance		220,820	360,579
	Plant and machinery including advances to suppliers		1,889,080	1,282,190
	Intangible assets under development		–	5,540
			2,109,900	1,648,309
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	41,970	82,358
	Goodwill	16.2	1,569,234	1,569,234
			1,611,204	1,651,592
16.1	**Computer software**			
	Balance at the beginning		82,358	109,405
	Additions during the year		8,802	19,304
	Amortisation charge for the year		(49,190)	(46,351)
	Balance at the end		41,970	82,358
	Amortisation rate		33 1/3%	33 1/3%
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	37,484	31,762
	Distribution cost	30	11,706	14,589
			49,190	46,351

16.2 Goodwill

This represents excess of the amount paid over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 16.4%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2014	2013
			(Rupees '000)	
17.	**LONG TERM INVESTMENTS**			
	Investment in Associated Companies (Quoted) - at cost			
	Fauji Cement Company Limited (FCCL)	17.1	1,500,000	1,500,000
	Fauji Fertilizer Bin Qasim Limited (FFBL)	17.2	4,658,919	–
	Askari Bank Limited (AKBL)	17.3	10,461,921	–
	Investment in joint venture (Unquoted) - at cost			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	17.4	705,925	705,925
	Investment in Subsidiary Companies - at cost			
	Quoted:			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	17.2	–	4,752,330
	Askari Bank Limited (AKBL)	17.3	–	10,461,921
	Unquoted:			
	FFC Energy Limited (FFCEL)	17.5	2,438,250	2,438,250
	Fauji Fresh n Freeze Limited (FFFL) - Formerly Al-Hamd Foods Limited (AHFL)	17.6	1,035,500	585,500
	Investments available for sale	17.7		
	Certificates of Investment		113,868	118,239
	Pakistan Investment Bonds		7,178,198	59,497
	Term Finance Certificates		99,500	96,000
			7,391,566	273,736
			28,192,081	20,717,662
	Less: Current portion shown under short term investments			
	Investments available for sale			
	Certificates of Investment		27,094	26,005
	Pakistan Investment Bonds		30,467	29,125
	Term Finance Certificates		–	–
		26	57,561	55,130
			28,134,520	20,662,532

17.1 Investment in FCCL - at cost

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% of its share capital as at December 31, 2014. The Company is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by Faysal Bank Limited, remains outstanding or without prior consent of FCCL. Market value of the Company's investment as at December 31, 2014 was Rs 2,422,500 thousand (2013: Rs 1,495,313 thousand).

17.2 Investment in FFBL - at cost

Investment in FFBL represents 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% of FFBL's share capital as at December 31, 2014. Market value of the Company's investment as at December 31, 2014 was Rs 21,062,973 thousand (2013: Rs 20,819,958 thousand; 475,233 thousand fully paid ordinary shares of Rs 10 each representing 50.88% of FFBL's share capital).

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During the year, 1% equity of FFBL aggregating to 9,341,100 ordinary shares, held by FFC, sold to FF on October 03, 2014 at the closing market price.

Further, FFC irrevocably appointed FF as its proxy, to represent FFC in the general meetings of FFBL and AKBL allowing FF to vote for and on behalf of FFC and resolved that representatives of FF may be elected or co-opted or appointed on the Board of Directors of FFBL and AKBL, as nominated by FF. This resulted in loss of control of FFBL and AKBL. Accordingly, the status of FFBL and AKBL has changed to associated companies of FFC.

17.3 Investment in AKBL - at cost

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2013: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2014 was Rs 12,544,728 thousand (2013: Rs 7,613,315). Pursuant to sale of 1% equity of Fauji Fertilizer Bin Qasim Limited (FFBL) and issuance of irrevocable proxies as referred to above in note 17.2, the status of AKBL has been changed from subsidiary to associate.

17.4 Investment in joint venture - at cost

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

According to the Shareholders' agreement, if any legal restriction is laid on dividends by PMP, the investment will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

17.5 Investment in FFCEL - at cost

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

17.6 Investment in FFFL (formerly AHFL) - at cost

Investment in FFFL represents 93,937 thousand fully paid ordinary shares of Rs 10 each. The Company currently holds 100% shareholding interest in FFFL, out of which 7,000 shares amounting to Rs 70 thousand are held in the name of seven nominee directors of the Company.

17.7 Investments available for sale

Certificates of Investment (COI)

These represent placements in Certificates of Investment / Term deposits receipts of financial institution for periods ranging from one to five years having returns in the range of 7.58% to 12.32% per annum (2013: 7.58% to 14.18% per annum). Cost of these investments at year end amounted to Rs 113,868 thousand (2013: Rs 118,239 thousand).

Pakistan Investment Bonds (PIBs)

PIBs ranging from 3 to 7 years were purchased and are due to mature within a period of 5 years. Profit is receivable on half yearly basis with coupon rates ranging from 11.25% to 11.75% per annum (2013: 8% to 11.75% per annum). Cost of these investments at year end amounted to Rs 6,710,676 thousand (2013: Rs 39,576 thousand).

Term Finance Certificates (TFCs)

These include 20,000 certificates of Rs 5,000 each of Engro Fertilizer Limited (EFL). Profit is receivable on half yearly basis at the rate of six months' KIBOR + 1.55% per annum. Cost of these investments at year end amounted to Rs 100,000 thousand (2013: Rs 100,000 thousand).

		Note	2014	2013
			(Rupees '000)	
18.	**LONG TERM LOANS AND ADVANCES - SECURED**			
	Loans and advances - considered good, to:			
	Executives		769,788	693,808
	Other employees		338,839	285,950
			1,108,627	979,758
	Less: Amount due within twelve months, shown			
	under current loans and advances	23	285,439	239,350
			823,188	740,408

18.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2014 Total	2013 Total
		(Rupees '000)		
Balance at January 1	693,808	285,950	979,758	939,698
Disbursements	346,518	127,156	473,674	427,975
	1,040,326	413,106	1,453,432	1,367,673
Repayments	270,538	74,267	344,805	387,915
Balance at December 31	769,788	338,839	1,108,627	979,758

These represent secured house building loans, house rent advances and advances pursuant to agreement with employees which are repayable within one to ten years. House building loans carry mark - up at 7% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 772,804 thousand (2013: Rs 769,035 thousand).

		Note	2014	2013
			(Rupees '000)	
19.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Deposits		12,388	2,092
	Prepayments		3,236	562
			15,624	2,654
20.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		266,801	271,818
	Spares		3,127,230	2,921,028
	Provision for slow moving spares	20.1	(390,866)	(332,172)
			2,736,364	2,588,856
	Loose tools		132	108
	Items in transit		311,526	383,863
			3,314,823	3,244,645
20.1	**Movement of Provision for slow moving spares**			
	Balance at the beginning		332,172	302,164
	Provision during the year		58,694	30,008
	Balance at the end		390,866	332,172
21.	**STOCK IN TRADE**			
	Raw materials		223,630	153,461
	Work in process		64,860	67,903
	Finished goods - manufactured urea		584,930	71,424
	- purchased fertilizer		21,504	–
	Stocks in transit		86,826	9,169
			981,750	301,957

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		Note	2014	2013
			(Rupees '000)	
22.	**TRADE DEBTS**			
	Considered good:			
	Secured		772,417	622,725
	Unsecured		50,043	77,816
	Considered doubtful		1,758	1,758
			824,218	702,299
	Provision for doubtful debts		(1,758)	(1,758)
			822,460	700,541

22.1 These debts are secured by way of bank guarantees.

		Note	2014	2013
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	285,439	239,350
	Loans and advances to employees - unsecured - considered good			
	- Executives		55,019	385,981
	- Others		28,905	107,771
	Advance to subsidiary company - FFC Energy Limited	23.1	540,386	–
	Advances to suppliers - considered good		149,005	188,358
			1,058,754	921,460

23.1 This represents aggregate unsecured advance to subsidiary company under a revolving credit facility upto an amount of Rs 1,500,000 thousand to meet debt servicing obligations and other working capital requirements. This carries markup at 1 month KIBOR+60bps. The maximum outstanding amount at the end of any month during the year was Rs 540,386 thousand (2013: Nil).

		Note	2014	2013
			(Rupees '000)	
24.	**DEPOSITS AND PREPAYMENTS**			
	Deposits		966	956
	Prepayments		25,410	36,269
			26,376	37,225
25.	**OTHER RECEIVABLES**			
	Accrued income on investments and bank deposits		534,777	166,219
	Sales tax receivable related to PSFL		42,486	42,486
	Advance tax	25.1	322,368	322,368
	Receivable from Workers' Profit Participation Fund - unsecured	25.2	55,300	59,495
	Receivable from subsidiary companies	25.3		
	Fauji Fresh n Freeze Limited (formerly AHFL) - unsecured		116	10,448
	FFC Energy Limited - unsecured		14,445	118,989
	Due from Gratuity Fund		28,090	–
	Due from Pension Fund		59,019	9,759
	Other receivables			
	considered good		15,860	70,158
	considered doubtful		2,232	2,232
	Provision for doubtful receivables		(2,232)	(2,232)
			15,860	70,158
			1,072,461	799,922

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

		Note	2014	2013
			(Rupees '000)	
25.2	**Workers' Profit Participation Fund (WPPF)**			
	Balance at beginning		59,495	69,919
	Allocation for the year		(1,409,278)	(1,580,082)
	Adjustment for prior years		–	(6,790)
	Receipt from fund	25.2.1	(69,917)	(73,552)
	Payment to fund		1,475,000	1,650,000
			55,300	59,495

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

25.3 The maximum amount of receivable from Fauji Fresh n Freeze Limited and FFC Energy Limited during the year was Rs 77,116 thousand (2013: Rs 10,448 thousand) and Rs 96,418 thousand (2013: Rs 747,257) respectively.

		Note	2014	2013
			(Rupees '000)	
26.	**SHORT TERM INVESTMENTS**			
	Term deposits with banks and financial institutions			
	Loans and receivables	26.1		
	Local currency - Net of provision for doubtful recovery			
	Rs 3,900 thousand (2013: Rs 3,900 thousand)		25,400,000	17,420,000
	Foreign currency		1,309,818	1,335,731
			26,709,818	18,755,731
	Investments at fair value through profit or loss	26.2		
	Meezan Balanced Fund		167,979	142,000
	Market Treasury Bills		489,380	–
	KASB Cash Fund		8,099	7,434
			665,458	149,434
	Current maturity of long term investments			
	Available for sale	17	57,561	55,130
			27,432,837	18,960,295

26.1 These represent investments having maturities ranging between 1 to 12 months and are being carried at cost as management expects there would be insignificant change in the rate of returns on comparable investments. Term deposits receipts amounting to Rs 500,000 thousand (2013: Rs 2,000,000 thousand) are under lien of an Islamic financial institution in respect of Istisna facility availed.

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

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for the year ended December 31, 2014

		2014	2013
		(Rupees '000)	
27.	**CASH AND BANK BALANCES**		
	At banks		
	Deposit accounts		
	Local currency	1,169,384	1,358,530
	Foreign currency (US$ 29,000; 2013: US$ 7,000)	2,919	751
		1,172,303	1,359,281
	Cash in hand	1,464	2,370
		1,173,767	1,361,651

27.1 Balances with banks include Rs 653,943 thousand (2013: Rs 567,735 thousand) in respect of security deposits received.

27.2 Balances with banks carry markup ranging from 5% to 10% (2013: 5% to 10.25%) per annum.

28. SALES

Sales include Rs 8,734,079 thousand (2013: Rs 4,774,850 thousand) in respect of sale of purchased fertilizers and are exclusive of sales tax of Rs 14,188,461 thousand (2013: Rs 13,484,281 thousand).

		Note	2014	2013
			(Rupees '000)	
29.	**COST OF SALES**			
	Raw materials consumed		24,372,474	18,614,731
	Fuel and power		7,707,652	6,817,258
	Chemicals and supplies		366,674	377,799
	Salaries, wages and benefits		5,002,549	4,070,292
	Training and employees welfare		833,770	708,160
	Rent, rates and taxes		13,533	21,644
	Insurance		184,768	197,739
	Travel and conveyance	29.1	478,674	390,715
	Repairs and maintenance (includes stores and spares consumed of Rs 1,239,353 thousand; (2013: Rs 1,267,633 thousand)		1,357,448	1,406,520
	Depreciation	15.1	1,717,142	1,538,622
	Amortisation	16.1	37,484	31,762
	Communication and other expenses	29.2	1,627,187	1,827,762
			43,699,355	36,003,004
	Opening stock - work in process		67,903	45,216
	Closing stock - work in process		(64,860)	(67,903)
			3,043	(22,687)
	Cost of goods manufactured		43,702,398	35,980,317
	Opening stock of manufactured urea		71,424	80,055
	Closing stock of manufactured urea		(584,930)	(71,424)
			(513,506)	8,631
	Cost of sales - own manufactured urea		43,188,892	35,988,948
	Opening stock of purchased fertilizers		–	274,029
	Purchase of fertilizers for resale		6,969,361	3,685,595
			6,969,361	3,959,624
	Closing stock of purchased fertilizers		(21,504)	–
	Cost of sales - purchased fertilizers		6,947,857	3,959,624
			50,136,749	39,948,572

29.1 These include operating lease rentals amounting to Rs 45,478 thousand (2013: Rs 41,670 thousand).

29.2 This includes provision for slow moving spares amounting to Rs 58,694 thousand (2013: Rs 30,008 thousand).

		Note	2014	2013
			(Rupees '000)	
30.	**DISTRIBUTION COST**			
	Product transportation		3,970,241	3,797,513
	Salaries, wages and benefits		1,322,121	1,311,875
	Training and employees welfare		80,924	82,640
	Rent, rates and taxes		105,131	101,768
	Technical services to farmers		14,795	10,558
	Travel and conveyance	30.1	198,186	162,629
	Sale promotion and advertising		190,876	123,027
	Communication and other expenses		394,451	420,259
	Warehousing expenses		69,757	70,398
	Depreciation	15.1	73,479	72,024
	Amortisation	16.1	11,706	14,589
			6,431,667	6,167,280

30.1 These include operating lease rentals amounting to Rs 130,420 thousand (2013: Rs 110,477 thousand).

			2014	2013
			(Rupees '000)	
31.	**FINANCE COST**			
	Mark-up on long term borrowings		567,836	502,496
	Mark-up on short term borrowings		173,538	168,689
	Bank and other charges		19,669	85,030
	Exchange loss		87,897	–
			848,940	756,215
32.	**OTHER EXPENSES**			
	Research and development		355,424	372,447
	Workers' Profit Participation Fund (WPPF)		1,409,278	1,580,082
	Workers' Welfare Fund		535,526	603,028
	Auditors' remuneration			
	Audit fee		1,650	1,500
	Fee for half yearly review, audit of consolidated financial statements & review of Code of Corporate Governance		804	730
	Out of pocket expenses		255	150
			2,709	2,380
			2,302,937	2,557,937

In addition to the auditor's remuneration above, communication and other expenses stated in note 29 and note 30 include Rs 26,384 thousand (2013: Rs 8,145 thousand) on account of fee for taxation services and audit of employees' funds.

Notes to and forming part of the Financial Statements
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		2014	2013
		(Rupees '000)	
33.	**OTHER INCOME**		
	Income from financial assets		
	Income on loans, deposits and investments	1,651,851	1,310,555
	Gain on re-measurement of investments classified as fair value through profit or loss	34,622	231,194
	Dividend income	–	92,689
	Exchange gain	–	119,313
	Gain on disposal of FFBL shares	281,728	–
	Income from subsidiary		
	Commission on sale of FFBL products	–	19,979
	Dividend from FFBL	1,544,507	2,376,165
	Dividend from AKBL	543,768	–
	Income from associates		
	Dividend from FFBL	349,419	–
	Dividend from FCCL	140,625	117,188
	Income from non-financial assets		
	Gain on disposal of property, plant and equipment	33,075	27,008
	Commission on sale of FFBL products	18,185	–
	Other income		
	Scrap sales	19,373	10,689
	Others	103,713	63,161
		4,720,866	4,367,941
34.	**PROVISION FOR TAXATION**		
	Current tax	7,866,979	9,195,000
	Deferred tax	203,021	89,000
		8,070,000	9,284,000
	Reconciliation between tax expense and accounting profit		
	Accounting profit before taxation	26,240,760	29,418,548
		2014	**2013**
		%	%
	Applicable tax rate	33.00	34.00
	Tax effect of income that is exempt or taxable at reduced rates	(2.61)	(2.38)
	Effect of change in tax rate	0.38	(0.32)
	Others	(0.02)	0.26
	Average effective tax rate charged on income	30.75	31.56

		2014	2013
35.	**EARNINGS PER SHARE - Basic and diluted**		
	Net profit after tax (Rupees '000)	18,170,760	20,134,548
	Weighted average number of shares in issue ('000)	1,272,238	1,272,238
	Basic and diluted earnings per share (Rupees)	14.28	15.83

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

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2014		2013	
	Chief Executive	**Executive**	**Chief Executive**	**Executive**
	(Rupees '000)		**(Rupees '000)**	
Managerial remuneration	8,561	1,445,955	7,510	1,231,613
Contribution to provident fund	615	90,516	518	77,355
Bonus and other awards	3,703	1,766,538	5,261	1,344,210
Allowances and contribution to retirement benefit plans	6,398	1,102,304	8,738	942,546
Total	19,277	4,405,313	22,027	3,595,724
No. of person(s)	1	723	1	623

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the chief executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 43,480 thousand (2013: Rs 58,749 thousand) were paid to executives on separation, in accordance with the Company's policy.

In addition, 18 (2013: 14) directors were paid aggregate fee of Rs 5,570 thousand (2013: Rs 5,125 thousand).

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		2014	2013
		(Rupees '000)	
37.	**CASH GENERATED FROM OPERATIONS**		
	Net profit before taxation	26,240,760	29,418,548
	Adjustments for:		
	Depreciation and amortisation	1,839,811	1,656,997
	Provision for slow moving spares	58,694	30,008
	Finance cost	848,940	756,215
	Income on loans, deposits and investments	(1,651,851)	(1,310,555)
	Gain on remeasurement of investments classified at fair value through profit or loss	(34,622)	(231,194)
	Dividend income	(2,578,319)	(2,586,042)
	Exchange gain	–	(119,313)
	Gain on disposal of FFBL shares	(281,728)	–
	Gain on disposal of property, plant and equipment	(33,075)	(27,008)
		(1,832,150)	(1,830,892)
		24,408,610	27,587,656
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores and spares	(128,872)	(175,715)
	Stock in trade	(679,793)	140,182
	Trade debts	(121,919)	2,910,935
	Loans and advances	(137,294)	(243,483)
	Deposits and prepayments	10,849	(11,314)
	Other receivables	183,128	(133,429)
	Increase in current liabilities		
	Trade and other payables	15,648,348	5,694,715
		14,774,447	8,181,891
	Changes in long term loans and advances	(82,780)	(39,622)
	Changes in long term deposits and prepayments	(12,970)	2,457
	Changes in deferred liabilities	104,350	51,509
		39,191,657	35,783,891
38.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	1,173,767	1,361,651
	Short term borrowings	(11,602,443)	(7,000,000)
	Short term highly liquid investments	25,709,818	18,650,951
		15,281,142	13,012,602

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 Financial instruments by category

December 31, 2014	Loans and receivables	Available for sale investments	Fair value through profit or loss	Total
		(Rupees '000)		
Financial assets				
Maturity up to one year				
Trade debts - net of provision	822,460	–	–	822,460
Loans and advances	909,749	–	–	909,749
Deposits	966	–	–	966
Other receivables	565,198	–	–	565,198
Short term investments	26,709,818	57,561	665,458	27,432,837
Cash and bank balances	1,173,767	–	–	1,173,767
Maturity after one year				
Long term investments	–	7,334,005	–	7,334,005
Long term loans and advances	823,188	–	–	823,188
Deposits	12,388	–	–	12,388
	31,017,534	7,391,566	665,458	39,074,558

	Other financial liabilities	Total
	(Rupees '000)	
Financial liabilities		
Maturity up to one year		
Trade and other payables	29,243,800	29,243,800
Interest and mark-up accrued	30,117	30,117
Current portion of long term borrowings	1,780,000	1,780,000
Short term borrowings	11,602,443	11,602,443
Maturity after one year		
Long term borrowings	2,500,000	2,500,000
	45,156,360	45,156,360

December 31, 2013	Loans and receivables	Available for sale investments	Fair value through profit or loss	Total
		(Rupees '000)		
Financial assets				
Maturity up to one year				
Trade debts - net of provision	700,541	-	-	700,541
Loans and advances	733,102	-	-	733,102
Deposits	956	-	-	956
Other receivables	365,814	-	-	365,814
Short term investments	18,755,731	55,130	149,434	18,960,295
Cash and bank balances	1,361,651	-	-	1,361,651
Maturity after one year				
Other long term investments	-	218,606	-	218,606
Long term loans and advances	740,408	-	-	740,408
Deposits	2,092	-	-	2,092
	22,660,295	273,736	149,434	23,083,465

Notes to and forming part of the Financial Statements
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	Other financial liabilities	Total
	(Rupees '000)	
Financial liabilities		
Maturity up to one year		
Trade and other payables	13,548,266	13,548,266
Interest and mark-up accrued	22,098	22,098
Current portion of long term borrowings	1,460,000	1,460,000
Short term borrowings	7,000,000	7,000,000
Maturity after one year		
Long term borrowings	4,280,000	4,280,000
	26,310,364	26,310,364

39.2 Credit quality of financial assets

The credit quality of company's financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Rating	2014	2013
		(Rupees '000)	
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past		822,460	700,541
Loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		369,363	733,102
Loan to subsidiary company		540,386	–
		909,749	733,102
Deposits			
Counterparties without external credit ratings			
Others		13,354	3,048
Other receivables			
Counterparties with external credit ratings	A1 +	438,517	127,928
	A1	96,260	38,291
Counterparties without external credit ratings			
Advances to related parties		14,561	129,437
Others		15,860	70,158
		565,198	365,814
Short term investments			
Counterparties with external credit ratings	A1 +	23,824,739	15,418,578
	A1	3,608,099	2,741,717
	A2	–	800,000
		27,432,838	18,960,295
Bank balances			
Counterparties with external credit ratings	A1 +	997,166	1,088,383
	A1	175,137	270,898
		1,172,303	1,359,281

	Rating	2014	2013
		(Rupees '000)	
Long term investments			
Counterparties with external credit ratings	AA -	6,722,322	96,000
	AA	611,683	92,234
	AA +	–	30,372
		7,334,005	218,606
Long term loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		823,188	740,408

39.3 Financial risk factors

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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

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

a) Credit risk

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

	2014	2013
	(Rupees '000)	
Long term investments	7,334,005	218,606
Loans and advances	1,732,937	1,473,510
Deposits	13,354	3,048
Trade debts - net of provision	822,460	700,541
Other receivables - net of provision	565,198	365,814
Short term investments - net of provision	27,432,837	18,960,295
Bank balances	1,172,303	1,359,281
	39,073,094	23,081,095

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Geographically there is no concentration of credit risk.

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

The Company's most significant amount receivable is from a bank which amounts to Rs 6,000,000 thousand (2013: Rs 6,220,038 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 772,417 thousand (2013: Rs 622,725 thousand) are secured against letter of guarantee. The Company has placed funds in financial institutions with high credit ratings. The Company assesses the credit quality of the counter parties as satisfactory. The Company does not hold any collateral as security against any of its financial assets other than trade debts.

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

Impairment losses

The aging of trade debts at the reporting date was:

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
	(Rupees '000)			
Not yet due	748,271	–	680,304	–
Past due 1-30 days	50,926	–	20,230	–
Past due 31-60 days	23,263	–	7	–
Past due 61-90 days	–	–	–	–
Over 90 days	1,758	1,758	1,758	1,758
	824,218	1,758	702,299	1,758

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

b) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintain lines of credit as mentioned in note 13 to the financial statements.

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

2014	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long term borrowings	4,287,333	5,111,551	1,132,872	1,065,226	1,610,427	1,303,026	–
Trade and other payables	29,243,800	29,243,800	29,243,800	–	–	–	–
Short term borrowings	11,625,227	11,795,110	9,675,300	2,119,810	–	–	–
	45,156,360	46,150,461	40,051,972	3,185,036	1,610,427	1,303,026	–

2013	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long term borrowings	5,749,222	7,300,334	1,062,825	1,045,412	2,260,769	2,931,328	–
Trade and other payables	13,548,266	13,548,266	13,548,266	–	–	–	–
Short term borrowings	7,012,876	7,177,835	7,177,835	–	–	–	–
	26,310,364	28,026,435	21,788,926	1,045,412	2,260,769	2,931,328	–

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

The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark-up rates. The mark-up rates have been disclosed in notes 8 and 13 to these financial statements.

c) Market risk

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

i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exist due to transactions in foreign currencies.

Exposure to Currency Risk

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

	2014		2013	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balance	2,919	29	751	7
Investments (Term deposit receipts)	1,309,818	13,046	1,335,731	12,748

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The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2014	2013	2014	2013
US Dollars	100.19	100.71	100.40	104.78

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit and loss by Rs 87,953 thousand (2013: Rs 88,208 thousand). A 10% weakening of the functional currency against foreign currencies at December 31 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

ii) **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, long term borrowings, long term investments, loans and advances, short term investments and deposits with banks. At the balance sheet date the interest rate risk profile of the Company's interest bearing financial instruments is:

	Carrying Amount	
	2014	2013
	(Rupees '000)	
Fixed rate instruments		
Financial assets	35,174,187	20,292,748
Variable rate instruments		
Financial assets	639,886	96,000
Financial liabilities	15,882,443	12,740,000

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2014		
Cash flow sensitivity - Variable rate instruments	(49,672)	49,672
December 31, 2013		
Cash flow sensitivity - Variable rate instruments	(44,836)	44,836

iii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Sensitivity analysis – price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 48,761 thousand after tax (2013: Rs 1,026 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as fair value through profit or loss, the impact on profit or loss would have been an increase or decrease by Rs 4,459 thousand after tax (2013: Rs 1,012 thousand). The analysis is performed on the same basis for 2013 and assumes that all other variables remain the same.

39.4 Fair values

Fair value versus carrying amounts

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

		December 31, 2014		December 31, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note	(Rupees '000)			
Assets carried at amortised cost					
Loans and advances	18 and 23	1,732,937	1,732,937	1,473,510	1,473,510
Deposits	19 and 24	13,354	13,354	3,048	3,048
Trade debts - net of provision	22	822,460	822,460	700,541	700,541
Other receivables	25	565,198	565,198	365,814	365,814
Short term investments	26	27,432,837	27,432,837	18,960,295	18,960,295
Cash and bank balances	27	1,173,767	1,173,767	1,361,651	1,361,651
		31,740,553	31,740,553	22,864,859	22,864,859
Assets carried at fair value					
Long term investments	17	7,334,005	7,334,005	218,606	218,606
Short term investments	26	723,019	723,019	204,564	204,564
		8,057,024	8,057,024	423,170	423,170
Liabilities carried at amortised cost					
Long term borrowings	8	4,287,333	4,287,333	5,749,222	5,749,222
Trade and other payables	10	29,243,800	29,243,800	13,548,266	13,548,266
Short term borrowings	13	11,625,227	11,625,227	7,012,876	7,012,876
		45,156,360	45,156,360	26,310,364	26,310,364

The basis for determining fair values is as follows:

Interest rates used for determining fair value

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

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

Fair value hierarchy

The table below analyzes 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, 2014			
Assets carried at fair value			
Available for sale investments	99,500	7,292,066	–
Investments at fair value through profit or loss	665,458	–	–
	764,958	7,292,066	–
December 31, 2013			
Assets carried at fair value			
Available for sale investments	96,000	177,736	–
Investments at fair value through profit or loss	149,434	–	–
	245,434	177,736	–

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

39.5 Determination of fair values

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

Investment at fair value through profit and loss

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

Available for sale investments

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

Investment in associate and subsidiary

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

Non - derivative financial assets

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

Non - derivative financial liabilities

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

39.6 Capital management

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

40. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2013: 44.35%) shares of the Company at the year end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 18, 23 and 36 to the financial statements respectively.

	2014	2013
	(Rupees '000)	
Transactions with subsidiary companies		
Expenses charged on account of marketing of fertilizer on behalf of subsidiary company	513,009	835,558
Commission on sale of subsidiary company's products	10,904	19,979
Services and materials provided	–	55,150
Payments under consignment account	34,056,198	66,026,408
Services and materials received	6,281	10,889
Dividend income	2,088,275	2,376,165
Balance payable at the year end - unsecured	–	347,142
Balance receivable at the year end - unsecured	556,428	118,989
Investments in TDRs issued by subsidiary company and outstanding at the year end	–	2,570,000
Bank balance at the year end	–	62,306
Long term investments - additions	450,000	2,267,750
Long term investments - disposals	93,411	–
Transactions with associated undertakings / companies due to common directorship		
Expenses charged on account of marketing of fertilizer on behalf of associated company	326,791	–
Commission on sale of subsidiary company's products	7,281	–
Services and materials provided	–	91
Payments under consignment account	25,125,468	–
Purchase of gas as feed and fuel stock	30,476,475	23,915,067
Services and materials received	371,989	358,494
Sale of fertilizer	2,162	4,825
Donations	95,371	445,558
Dividend income	490,044	117,185
Dividend paid	7,983,961	9,225,286
Investments in TDRs issued by associated company and outstanding at the year end	3,200,000	–
Bank balance at the year end	22,955	–
Balance receivable at the year end	8,353	8,726
Balance payable at the year end	26,119,281	9,262,274

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

	2014	2013
	(Rupees '000)	
Other related parties		
Payments to:		
Employees' Provident Fund Trust	320,291	287,927
Employees' Gratuity Fund Trust	586,201	91,929
Employees' Pension Fund Trust	94,067	47,191
Others:		
Balance receivable / (payable) from Gratuity Fund Trust	28,090	(436,283)
Balance receivable from Pension Fund Trust	59,019	9,759

41. POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on January 30, 2015 has proposed a final dividend of Rs 3.50 per share.

	2014	2013
	(Tonnes '000)	
42. GENERAL		
42.1 Production capacity		
Design capacity	2,048	2,048
Production during the year	2,403	2,408

42.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 100,000 thousand and Rs 11,230,000 thousand (2013: Rs 216,000 thousand and Rs 7,930,000 thousand) respectively are available to the Company against lien on shipping / title documents and charge on assets of the Company alongwith corporate guarantee of the Company in a particular case.

42.3 Donations

Cost of Sales and Distribution Cost includes donations amounting to Rs 137,992 thousand (2013: Rs 145,208 thousand) and Rs 50,026 thousand (2013: Rs 189,175 thousand) respectively. These include Rs 95,371 thousand (2013: Rs 90,558 thousand), paid to Sona Welfare Foundation, Sona Tower, 156 - The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Naeem Khalid Lodhi, HI (M) (Retd) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

Further, an amount of Rs Nil (2013: Rs 355,000 thousand) was donated for the projects of Fauji Foundation, Fauji Towers Tipu Road Rawalpindi (associated undertaking). Directors' interest in the projects of Fauji Foundation is limited to the extent of their involvement in Fauji Foundation as management personnel:

2014	2013
Lt Gen Khalid Nawaz Khan, HI (M) (Retd)	Lt Gen Muhammad Mustafa Khan, HI (M) (Retd)
Mr. Qaiser Javed	Mr. Qaiser Javed
Dr. Nadeem Inayat	Dr. Nadeem Inayat
Maj Gen Ghulam Haider, HI (M) (Retd)	Maj Gen Zahid Parvez, HI (M) (Retd)
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retd)	Brig Agha Ali Hassan, SI (M) (Retd)
Brig Dr. Gulfam Alam, SI (M) (Retd)	Brig Dr. Gulfam Alam, SI (M) (Retd)

Notes to and forming part of the Financial Statements
for the year ended December 31, 2014

		2014	2013
42.4	**Number of employees**		
	Total number of employees at end of the year	2,333	2,319
	Average number of employees for the year	2,314	2,312

42.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

42.6 Date of authorisation

These Financial Statements have been authorised for issue by the Board of Directors of the Company on January 30, 2015.

Chairman | Chief Executive | Director

Consolidated Financial Statements

Fauji Fertilizer Company Limited

Auditor's Report to the Members
of Fauji Fertilizer Company Limited

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Fauji Fertilizer Company Limited (the Holding Company) and its subsidiary companies, FFC Energy Limited and Fauji Fresh n Freeze Limited (formerly Al Hamd Foods Limited) as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Fauji Fertilizer Company Limited. The financial statements of the subsidiary companies, FFC Energy Limited and Fauji Fresh n Freeze Limited (formerly Al Hamd Foods Limited), and FFBL results for the period January 1, 2014 to October 3, 2014 have been audited by another firm of chartered accountants whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditor. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the Auditing Standards as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Fauji Fertilizer Company Limited and its subsidiary companies FFC Energy Limited and Fauji Fresh n Freeze Limited (formerly Al Hamd Foods Limited) as at December 31, 2014 and the results of their operations for the year then ended.

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS

Engagement Partner: M. Imtiaz Aslam
Islamabad
January 30, 2015

Consolidated Balance Sheet
as at December 31, 2014

	Note	2014	2013
		(Rupees '000)	
EQUITY AND LIABILITIES			
ATTRIBUTABLE TO EQUITY HOLDERS OF FAUJI FERTILIZER COMPANY LIMITED			
Share capital	5	12,722,382	12,722,382
Capital reserves	6	611,592	1,330,727
Revenue reserves	7	30,032,528	14,376,567
Surplus on remeasurement of investments available for sale to fair value		303,564	10,508
		43,670,066	28,440,184
NON - CONTROLLING INTERESTS		–	6,757,655
TOTAL EQUITY		43,670,066	35,197,839
NON - CURRENT LIABILITIES			
Long term borrowings	8	11,406,203	14,391,192
Deferred liabilities	9	4,574,028	7,538,766
Liability against assets subject to finance lease		2,893	564
		15,983,124	21,930,522
CURRENT LIABILITIES			
Trade and other payables	10	38,526,069	30,466,496
Interest and mark-up accrued	12	115,891	290,784
Short term borrowings	13	11,602,443	14,985,128
Current portion of long term borrowings	8	3,054,000	3,812,186
Current portion of liability against assets subject to finance lease		238	849
Taxation		2,501,510	4,710,797
		55,800,151	54,266,240
TOTAL EQUITY AND LIABILITIES		115,453,341	111,394,601
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

	Note	2014	2013
		(Rupees '000)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	33,104,620	44,314,880
Intangible assets	16	1,974,531	2,014,919
Long term investments	17	41,787,131	23,478,872
Long term loans and advances	18	823,188	740,408
Long term deposits and prepayments	19	17,804	83,055
		77,707,274	70,632,134
CURRENT ASSETS			
Stores, spares and loose tools	20	3,314,823	5,352,138
Stock in trade	21	985,347	1,431,214
Trade debts	22	2,221,263	2,871,255
Loans and advances	23	531,379	1,500,047
Deposits and prepayments	24	27,589	74,255
Other receivables	25	1,182,227	1,056,198
Short term investments	26	27,432,837	24,283,431
Cash and bank balances	27	2,050,602	4,193,929
		37,746,067	40,762,467
TOTAL ASSETS		115,453,341	111,394,601

Chairman

Chief Executive

Director

Consolidated Profit and Loss Account
for the year ended December 31, 2014

	Note	2014	(Re-presented) 2013
		(Rupees '000)	
Sales	28	84,013,999	75,977,433
Cost of sales	29	50,878,238	40,417,170
GROSS PROFIT		33,135,761	35,560,263
Administrative and distribution expenses	30	6,617,040	6,237,555
		26,518,721	29,322,708
Finance cost	31	2,149,262	1,373,425
Other expenses	32	2,303,562	2,557,862
		22,065,897	25,391,421
Other income	33	1,913,622	1,891,983
Share in profit / (loss) of equity accounted investments		1,476,057	(8,781)
NET PROFIT BEFORE TAXATION		25,455,576	27,274,623
Provision for taxation	34	8,076,881	9,247,990
NET PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		17,378,695	18,026,633
Discontinued operations - net of tax	35	17,259,744	5,634,511
Profit for the year		34,638,439	23,661,144
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		33,615,001	20,908,121
Non - Controlling Interests		1,023,438	2,753,023
		34,638,439	23,661,144
Earnings per share - basic and diluted (Rupees)	36		
Continuing operations		13.66	14.17
Discontinued operations		13.57	4.43
		27.23	18.60

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chairman | Chief Executive | Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2014

	Note	2014	(Re-presented) 2013
		(Rupees '000)	
Net profit after taxation		34,638,439	23,661,144
Other comprehensive income			
Gain on remeasurement of staff retirement benefit plans - net of tax		56,621	47,791
Surplus on remeasurement of investments			
available for sale to fair value - net of tax		293,056	2,813
Exchange difference on translating foreign investment		(67,963)	163,452
Other comprehensive income from			
continuing operations - net of tax		281,714	214,056
Discontinued Operations - net of tax	35	(162,439)	287,628
		119,275	501,684
Total comprehensive income for the year		34,757,714	24,162,828
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		33,814,067	21,268,522
Non - Controlling interests		943,647	2,894,306
		34,757,714	24,162,828

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chairman

Chief Executive

Director

Consolidated Cash Flow Statement
for the year ended December 31, 2014

	Note	2014	(Re-presented) 2013
		(Rupees '000)	
CONTINUING OPERATIONS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	41,007,491	37,636,465
Finance cost paid		(2,000,206)	(1,346,698)
Income tax paid		(9,355,565)	(9,736,363)
Net cash generated from operating activities		29,651,720	26,553,404
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,295,821)	(4,459,344)
Proceeds from disposal of property, plant and equipment		47,260	51,639
Interest received		1,298,540	1,279,859
Investment in Askari Bank Limited		–	(10,461,921)
Investment in Fauji Fresh n Freeze Limited (formerly Al-Hamd Foods Limited)		–	(585,500)
Sale of shares in Fauji Fertilizer Bin Qasim Limited		375,139	–
(Increase) / decrease in other investment - net		(8,083,631)	919,406
Dividends received		2,578,319	2,586,042
Net cash used in investing activities		(8,080,194)	(10,669,819)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		653,130	3,787,078
- repayments		(1,803,504)	(2,328,613)
Dividends paid		(17,582,659)	(20,677,553)
Net cash used in financing activities		(18,733,033)	(19,219,088)
CASH FLOWS FROM DISCONTINUED OPERATIONS			
Operating cash flows		(1,276,675)	9,939,754
Investing cash flows		(2,721,686)	(10,245,513)
Financing cash flows		1,541,562	(1,369,143)
Cash and cash equivalents		(585,607)	-
Net cash used in discontinued operations		(3,042,406)	(1,674,902)
Net decrease in cash and cash equivalents		(203,913)	(5,010,405)
Cash and cash equivalents at beginning of the year		16,409,752	21,324,043
Effect of exchange rate changes		(47,862)	96,114
Cash and cash equivalents at end of the year	38.1	16,157,977	16,409,752

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chairman | Chief Executive | Director

Consolidated Statement of Changes in Equity
for the year ended December 31, 2014

	Attributable to equity holders of Fauji Fertilizer Company limited									
		Capital reserves				Revenue reserves				
	Share capital	Share premium	Capital redemption reserve	Translation reserve	Statutory reserve	General reserve	Unappropriated profit	Surplus on remeasurement of available for sale investment to fair value	Non-controlling interests	Total
	(Rupees '000)									
Balance as at January 1, 2013	12,722,382	156,184	120,000	718,442	6,436	5,502,360	8,739,258	7,695	6,157,734	34,130,491
Transfer to general reserve	–	–	–	–	–	1,300,000	(1,300,000)	–	–	–
Total comprehensive income for the year										
Profit after taxation	–	–	–	–	–	–	20,908,121	–	2,753,023	23,661,144
Other comprehensive income – net of tax	–	–	–	329,665	–	–	27,923	2,813	141,283	501,684
	–	–	–	329,665	–	–	20,936,044	2,813	2,894,306	24,162,828
Distribution to owners										
FFC dividends:										
Final dividend 2012: Rs 5.00 per share	–	–	–	–	–	–	(6,361,191)	–	–	(6,361,191)
First interim dividend 2013: Rs 3.50 per share	–	–	–	–	–	–	(4,452,834)	–	–	(4,452,834)
Second interim dividend 2013: Rs 3.75 per share	–	–	–	–	–	–	(4,770,893)	–	–	(4,770,893)
Third interim dividend 2013: Rs 4.10 per share	–	–	–	–	–	–	(5,216,177)	–	–	(5,216,177)
Dividend by FFBL to non – controlling interest holders										
Final dividend 2012: Rs 2.25 per ordinary share	–	–	–	–	–	–	–	–	(1,032,460)	(1,032,460)
First interim dividend 2013: Rs 1.75 per ordinary share	–	–	–	–	–	–	–	–	(803,043)	(803,043)
Second interim dividend 2013: Rs 1.00 per ordinary share	–	–	–	–	–	–	–	–	(458,882)	(458,882)
	–	–	–	–	–	–	(20,801,095)	–	(2,294,385)	(23,095,480)
Balance as at December 31, 2013	12,722,382	156,184	120,000	1,048,107	6,436	6,802,360	7,574,207	10,508	6,757,655	35,197,839
Transfer to general reserve	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year										
Profit after taxation	–	–	–	–	–	–	33,615,001	–	1,023,438	34,638,439
Other comprehensive income – net of tax	–	–	–	(137,120)	–	–	43,130	293,056	(79,791)	119,275
	–	–	–	(137,120)	–	–	33,658,131	293,056	943,647	34,757,714
Distribution to owners										
FFC dividends:										
Final dividend 2013: Rs 4.00 per share	–	–	–	–	–	–	(5,088,952)	–	–	(5,088,952)
First interim dividend 2014: Rs 3.00 per share	–	–	–	–	–	–	(3,816,714)	–	–	(3,816,714)
Second interim dividend 2014: Rs 3.40 per share	–	–	–	–	–	–	(4,325,610)	–	–	(4,325,610)
Third interim dividend 2014: Rs 3.75 per share	–	–	–	–	–	–	(4,770,894)	–	–	(4,770,894)
Dividend by FFBL to non – controlling interest holders										
Final dividend 2013: Rs 2.25 per ordinary share	–	–	–	–	–	–	–	–	(1,032,473)	(1,032,473)
First interim dividend 2014: Rs 1.00 per ordinary share	–	–	–	–	–	–	–	–	(458,876)	(458,876)
	–	–	–	–	–	–	(18,002,170)	–	(1,491,349)	(19,493,519)
Discontinued operations – note 35	–	(116,184)	–	(459,395)	(6,436)	–	–	–	(6,209,953)	(6,791,968)
Balance as at December 31, 2014	12,722,382	40,000	120,000	451,592	–	6,802,360	23,230,168	303,564	–	43,670,066

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chairman

Chief Executive

Director

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Fauji Fertilizer Company Limited (the Group) comprises of Fauji Fertilizer Company Limited (FFC / parent company) and its subsidiaries, FFC Energy Limited (FFCEL) and Fauji Fresh n Freeze Limited (FFFL) (formerly Al-Hamd Foods Limited) are incorporated in Pakistan as public limited companies.

The shares of FFC are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered offices of FFC and FFCEL are situated in Rawalpindi. The registered office of FFFL is situated in Lahore, Pakistan.

The principal activity of FFC is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical, other manufacturing and banking operations. FFCEL has setup a 49.5 MW wind energy power project. FFFL will principally be engaged in the business of processing fresh, frozen fruit, vegetables, fresh meat, frozen cooked and semi cooked food.

1.2 During the year 1% equity of Fauji Fertilizer Bin Qasim Limited (FFBL) aggregating to 9,341,100 ordinary shares, held by FFC, were sold to Fauji Foundation (FF) on October 3, 2014 at the closing market price. Further, FFC irrevocably appointed FF as its proxy, to represent FFC in the general meetings of FFBL and Askari Bank Limited (AKBL) allowing FF to vote for and on behalf of FFC and resolved that representatives of FF may be elected or co-opted or appointed on the Board of Directors of FFBL and AKBL, as nominated by FF. This has resulted in loss of control over FFBL and AKBL accordingly, the status of FFBL and AKBL has been changed to associated companies of FFC and therefore the group has classified FFBL and AKBL as discontinued operations.

2. STATEMENT OF COMPLIANCE

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

Pursuant to exemption from the Securities and Exchange Commission of Pakistan, the financial results of AKBL have not been consolidated till October 3, 2014 when it's status was changed to an associated company.

3. USE OF ESTIMATES AND JUDGEMENTS

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

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

(i) Retirement benefits - note 11
(ii) Estimate of useful life of property, plant and equipment - note 15
(iii) Estimate of useful life of intangible assets - note 16
(iv) Estimate of recoverable amount of goodwill - note 16
(v) Estimate of recoverable amount of investment in associated companies - note 17
(vi) Provision for taxation - note 34

Notes to and forming part of the Consolidated Financial Statements
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Basis of measurement

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

4.2 Functional and presentation currency

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

4.3 Basis of consolidation

These financial statements include the financial statements of FFC and its subsidiary companies, FFCEL 100% owned (2013: 100% owned) and FFFL 100% owned (2013: 100% owned). FFBL's results till October 3, 2014, have been consolidated as discontinued operations.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are derecognized from the date the control ceases. These consolidated financial statements include Fauji Fertilizer Company Limited (FFC/Parent Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition related cost are expensed as incurred

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non - controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit and loss account. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This means that amounts previously recognised in other comprehensive income are reclassified to profit and loss account.

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

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

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group companies' interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4.4 Retirement Benefits

FFC operate the following retirement benefit fund:

Funded Gratuity Fund

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

Contributory Provident Fund

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

Funded Pension Fund

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

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

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

Compensated absences

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

4.5 Taxation

Income tax expense comprises current and deferred tax.

Current tax

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

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised on temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

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

4.6 Property, plant and equipment and capital work in progress

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

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

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

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

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

4.7 Impairment

The carrying amount of the Group companies' assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For non-financial assets and available-for-sale financial assets that are debt securities, the reversal is recognised in profit and loss account. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in comprehensive income.

4.8 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Computer software

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

Others

Other 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 basic over the estimated useful life and is included in the profit and loss account.

Notes to and forming part of the Consolidated Financial Statements
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4.9 Investments

4.9.1 Investments available for sale

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

4.9.2 Investments at fair value through profit or loss

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

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

4.9.3 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 amortised cost using the effective interest method, less any impairment losses.

4.9.4 Acquisition under common control

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

4.10 Stores, spares and loose tools

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

4.11 Stock in trade

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

Cost is determined as follows:

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

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

The Group companies review the carrying amount of stock in trade and stores, spares and loose tools (note 4.10) on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory.

4.12 Foreign currency transaction and translation

Transactions in foreign currencies are recorded in the books at the rates of exchange ruling on the date of the transaction. Assets and liabilities in foreign currencies at the year end are translated into rupees at the rates prevailing on the balance sheet date. Exchange differences are included in the profit or loss 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 expenses are translated at the average exchange rates for the period.
- share capital is translated at historical exchange rate.

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

4.13 Revenue recognition

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

4.14 Borrowing costs

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

4.15 Research and development costs

Research and development costs are charged to profit or loss as and when incurred.

4.16 Provisions

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

4.17 Dividend and reserve appropriation

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

4.18 Cash and cash equivalents

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

4.19 Financial instruments

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

Notes to and forming part of the Consolidated Financial Statements
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4.20 Mark-up bearing borrowings

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

4.21 Trade and other payables

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

4.22 Trade debts and other receivables

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

4.23 Earnings per share

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

4.24 Off-setting of financial assets and liabilities

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

4.25 Finance income and finance costs

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

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

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

4.26 Leases

Finance Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets on finance lease are capitalized at the commencement of the lease term at the lower of fair value of leased assets and the present value of minimum lease payments, each determined at the inception of the lease. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The finance cost is charged to consolidated profit and loss account and is included under finance costs. The assets acquired under finance lease are depreciated over the shorter of the useful life of the asset or the lease term.

Operating Leases

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

4.27 Contingent Liabilities

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

4.28 Assets held for sale and discontinued operations

Non-current assets held for sale (and disposal groups) are presented separately in the current section of the balance sheet. Immediately before the initial classification of the assets (and disposal groups) as held for sale the carrying amount of the assets (or all the assets and liabilities in the disposal groups) are measured in accordance with their applicable accounting policy. Non-current assets held for sale (and disposal groups) are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets held for sale (and disposal groups) are no longer depreciated.

Upon occurrence of discontinued operations, results for the period related to discontinued operations are presented separately in the consolidated income statement. Comparative information is re-presented accordingly. Balance sheet and cash flows information related to discontinued operations are disclosed separately in the notes.

4.29 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CE&MD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CE&MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are fertilizer, power project and food.

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

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

		Effective date (annual reporting periods beginning on or after)
IAS 27	Separate financial statements (Amendments)	January 1, 2015
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2015
IFRS 10	Consolidated financial statements (Amendments)	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of interests in other entities (Amendments)	January 1, 2015
IFRS 13	Fair value measurement	January 1, 2015

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

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

		Effective date (annual reporting periods beginning on or after)
IFRS 1	First-time adoption of International Financial Reporting standards	July 1, 2009
IFRS 9	Financial instruments	January 1, 2015
IFRS 14	Regulatory Deferral accounts	January 1, 2014
IFRS 15	Revenue from customers	January 1, 2014
IFRIC 21	Levies	January 1, 2014

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

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

5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2013: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2013: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014	2013		2014	2013
(Numbers)			(Rupees '000)	
256,495,902	256,495,902	Ordinary shares of Rs 10 each issued for consideration in cash	2,564,959	2,564,959
1,015,742,345	1,015,742,345	Ordinary shares of Rs 10 each issued as fully paid bonus shares	10,157,423	10,157,423
1,272,238,247	1,272,238,247		12,722,382	12,722,382

5.1 Fauji Foundation held 44.35% (2013: 44.35%) ordinary shares of the FFC at the year end.

	Note	2014	2013
		(Rupees '000)	
6. CAPITAL RESERVES			
Share premium	6.1	40,000	156,184
Capital redemption reserve	6.2	120,000	120,000
Translation reserve		451,592	1,048,107
Statutory reserve		–	6,436
		611,592	1,330,727

6.1 Share premium

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

6.2 Capital redemption reserve

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

		Note	2014	2013
			(Rupees '000)	
7.	**REVENUE RESERVES**			
	General reserve		6,802,360	6,802,360
	Unappropriated profit		23,230,168	7,574,207
			30,032,528	14,376,567
8.	**LONG TERM BORROWINGS**			
	Loans from banking companies - secured			
	FFC	8.1		
	Al - Baraka Bank (Pakistan) Limited (AIBL)		25,000	75,000
	Dubai Islamic Bank (Pakistan) Limited (DIBL - 1)		30,000	90,000
	Dubai Islamic Bank (Pakistan) Limited (DIBL - 2)		350,000	450,000
	Meezan Bank Limited (MBL)		250,000	500,000
	Bank of Punjab (BOP - 1)		125,000	250,000
	Bank of Punjab (BOP - 2)		750,000	1,000,000
	Allied Bank Limited (ABL)		1,250,000	1,875,000
	United Bank Limited (UBL)		1,500,000	1,500,000
			4,280,000	5,740,000
	FFBL	35		
	Government of Pakistan loan		–	2,514,867
	Deferred Government assistance		–	77,935
			–	2,592,802
	FFCEL	8.2		
	Long term financing from financial institutions		9,157,138	9,500,642
	Less: Transaction cost			
	Initial transaction cost		(269,797)	(269,797)
	Accumulated amortisation		75,934	49,634
			8,963,275	9,280,479
	FFFL	8.3		
	MCB Bank Limited (MCB)		1,220,000	593,910
	Less: Transaction cost			
	Initial transaction cost		(4,000)	(4,000)
	Accumulated amortisation		928	187
			1,216,928	590,097
			14,460,203	18,203,378
	Less: Current portion shown under current liabilities		3,054,000	3,812,186
			11,406,203	14,391,192

Notes to and forming part of the Consolidated Financial Statements
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8.1 Terms and conditions of these borrowings are as follows:

Lenders	Mark-up rates p.a. (%)	No of installments outstanding	Date of final repayment
AIBL	6 Months KIBOR+0.50	1 half yearly	June 27, 2015
DIBL - 1	6 Months KIBOR+0.35	1 half yearly	June 30, 2015
DIBL - 2	6 Months KIBOR+0.35	7 half yearly	June 26, 2018
MBL	6 Months KIBOR+0.50	2 half yearly	December 31, 2015
BOP - 1	6 Months KIBOR+0.50	2 half yearly	December 30, 2015
BOP - 2	6 Months KIBOR+0.50	6 half yearly	December 27, 2017
ABL	6 Months KIBOR+0.50	4 half yearly	December 23, 2016
UBL	6 Months KIBOR+0.35	8 half yearly	December 27, 2018

These finances are secured by an equitable mortgage on the FFC's assets and hypothecation of all FFC assets including plant and machinery, stores, spares and loose tools and all other moveable properties including stocks and book debts, ranking pari passu with each other with 25% margin.

8.2 This represent long term loan from consortium of ten financial institutions. This loan carries mark-up at six months KIBOR plus 295 basis points payable six monthly in arrears whereas the principal amount is repayable in twenty bi-annual installments with a grace period of 2 years. Repayments of loan has commenced effective June 30, 2014. This loan is secured against:

- First ranking exclusive assignment / mortgage over receivables under Energy Purchase Agreement.
- Lien over and set-off rights on project accounts.
- First ranking, hypothecation charge over all moveable Assets.
- Exclusive mortgage over lease rights in immovable property on which project situate.

The Common Term Agreement contains certain covenants as to security, EPC, O&M, project Account, Insurance, Tax and Financial Statements of the Project and Conditions Precedents (CPs) to each disbursements of loan. The major disbursements CPs includes that all representations and warranties to be true and correct, no event of default is subsisting and maintenance of debt to equity ratio.

8.3 This represents utilized portion of a term finance facility of Rs 1,600,000 thousand (including letter of credit sub-limit of Rs 750,000 thousand). This facility carries mark-up at six months' average KIBOR plus 0.50% per annum, which is payable semi annually. This facility is repayable in six equal semi-annual installments starting from April 2016. This is secured against hypothecation charge over all present and future fixed assets (excluding land and building) of FFFL to the extent of Rs 2,133,000 thousand, mortgage charge by way of constructive deposit of title deeds over the immovable properties of FFFL comprising land measuring 371 kanals and 02 Marlas, together with present and future construction, fitting, fixtures and installations thereon in favour of the Bank up to an amount of Rs 2,133,000 thousand.

		Note	2014	2013
			(Rupees '000)	
9.	**DEFERRED LIABILITIES**			
	Deferred taxation	9.1	3,650,872	6,361,908
	Provision for compensated leave absences	9.2	923,156	1,176,858
			4,574,028	7,538,766
9.1	**Deferred taxation**			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation / amortisation		3,765,586	6,694,906
	Provision for slow moving spares, doubtful debts, other receivables and investments		(139,565)	(169,561)
	Retirement benefit obligations		(132,949)	(163,437)
	Remeasurement of investment available for sale		157,800	–
			3,650,872	6,361,908
	The gross movement in the deferred tax liability during the year is as follows:			
	Balance at the beginning		6,361,908	6,593,232
	Tax charge / (credit) recognised in profit and loss account			
	Continuing operations		203,021	89,000
	Discontinued operations	35	(104,258)	(342,925)
			98,763	(253,925)
	Tax charge recognised in other comprehensive income			
	Continuing operations		188,287	22,601
	Discontinued operations	35	–	–
			188,287	22,601
	Discontinued operations	35	(2,998,086)	–
	Balance at the end		3,650,872	6,361,908
9.2	**Movement of provision for compensated leave absences:**			
	Balance at the beginning		1,176,858	994,666
	Provision during the year		254,538	311,133
			1,431,396	1,305,799
	Encashed during the year		(67,934)	(128,941)
	Discontinued operations	35	(440,306)	–
	Balance at the end		923,156	1,176,858

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

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		2014	2013
		(Rupees '000)	
10.	TRADE AND OTHER PAYABLES		
	Creditors	25,464,059	13,678,058
	Accrued liabilities	2,421,200	5,078,342
	Consignment account with		
	Fauji Fertilizer Bin Qasim Limited - unsecured	131,667	–
	Sales tax payable - net	1,580,749	814,939
	Deposits	215,453	196,107
	Retention money	162,956	123,418
	Advances from customers	6,378,845	6,944,513
	Workers' Welfare Fund	1,191,661	2,022,640
	Payable to gratuity fund	–	609,936
	Unclaimed dividend	866,481	750,119
	Other liabilities	112,998	248,424
		38,526,069	30,466,496

Creditors includes Rs 24,740,966 thousand (2013: Rs 8,532,062 thousand) on account of Gas Infrastructure Development Cess (GIDC). In accordance with GIDC Act, 2011 FFC was required to pay GIDC at the rates specified in the second schedule. During the year the Honorable Supreme Court dismissed appeals against an earlier decision of the Honorable Peshawar High Court which declared GIDC Act, 2011 Ultra Vires to the Constitution. The President of Pakistan promulgated the GIDC Ordinance, 2014 on September 25, 2014 with retrospective effect, this ordinance is yet to be passed by the National Assembly. The Honorable Islamabad High Court has granted stay against recovery of GIDC through a stay order in December 2014.

	Funded gratuity	Funded pension	2014 Total	2013 Total
		(Rupees '000)		
11. RETIREMENT BENEFIT FUNDS				
i) The amounts recognized in the balance sheet are as follows:				
Present value of defined benefit obligation	1,818,169	2,491,821	4,309,990	4,381,921
Fair value of plan assets	(1,846,259)	(2,550,840)	(4,397,099)	(3,781,744)
(Assets) / Liabilities	(28,090)	(59,019)	(87,109)	600,177
ii) Amount recognised in the profit and loss account is as follows:				
Current service cost	96,564	101,942	198,506	214,629
Past Service Cost	–	–	–	(5,278)
Net interest cost	53,354	1,884	55,238	63,496
	149,918	103,826	253,744	272,847
iii) Movement in the present value of defined benefit obligaion:				
Present value of defined benefit obligation at beginning	2,076,036	2,305,885	4,381,921	3,978,300
Current service cost	96,564	101,942	198,506	214,629
Past Service cost	–	–	–	(5,278)
Interest cost	201,411	294,552	495,963	469,744
Benefits paid	(118,692)	(115,654)	(234,346)	(327,399)
Remeasurement of defined benefit obligation	29,467	(94,904)	(65,437)	51,925
Discontinued operations - note 35	(466,617)	–	(466,617)	–
Present value of defined benefit obligation at end	1,818,169	2,491,821	4,309,990	4,381,921
iv) Movement in fair value of plan assets:				
Fair value of plan assets at beginning	1,466,100	2,315,644	3,781,744	3,436,119
Expected return on plan assets	148,057	292,668	440,725	406,248
Contributions	586,201	94,067	680,268	181,716
Benefits paid	(118,692)	(115,654)	(234,346)	(327,399)
Remeasurement of plan assets	57,557	(35,885)	21,672	85,060
Discontinued operations - note 35	(292,964)	–	(292,964)	–
Fair value of plan assets at end	1,846,259	2,550,840	4,397,099	3,781,744
v) Actual return on plan assets	205,614	256,783	462,397	491,308
vi) Contributions expected to be paid to the plan during the next year	102,983	100,199	203,182	325,676
vii) Plan assets comprise of:				
Investment in debt securities	621,981	1,594,151	2,216,132	2,039,539
Investment in equity securities	800,646	802,931	1,603,577	1,227,771
Deposits with banks	256,635	125,568	382,203	366,053
Mutual Funds	166,997	28,190	195,187	148,381
	1,846,259	2,550,840	4,397,099	3,781,744

Notes to and forming part of the Consolidated Financial Statements
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viii) The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Funds, at the beginning of the year, for returns over the entire life of the related obligations.

		Funded gratuity		Funded pension	
		2014	2013	2014	2013
		(Rupees '000)		(Rupees '000)	
ix)	**Movement in (asset) / liability recognised in balance sheet:**				
	Opening liability	609,936	491,838	(9,759)	50,343
	Cost for the year recognised in profit or loss	149,918	178,466	103,826	94,381
	Employer's contribution during the year	(586,201)	(134,525)	(94,067)	(47,191)
	Total amount of remeasurement recognised in Other Comprehensive Income (OCI) during the year	(28,090)	74,157	(59,019)	(107,292)
	Discontinued operations - note 35	(173,653)	–	–	–
	Closing (asset) / liability	(28,090)	609,936	(59,019)	(9,759)
x)	**Remeasurements recognised in OCI during the year:**				
	Remeasurment (loss) / gain on obligation	(29,467)	(103,716)	94,904	51,791
	Remeasurment gain / (loss) on plan assets	57,557	29,559	(35,885)	55,501
	Remeasurment gain / (loss) recognised in OCI	28,090	(74,157)	59,019	107,292

		2014		2013	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
		(Percentage)			
xi)	**Principal actuarial assumptions used in the actuarial valuations :**				
	Discount rate	11.5	11.5	13	13
	Expected rate of salary growth				
	Management	11.5	11.5	13	13
	Non - Management	10.5	–	12	–
	Expected rate of return on plan assets	11.5	11.5	13	13
	Expected rate of increase in post retirement pension	–	5.5	–	7
	Demographic assumptions				
	Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)	SLIC (2001-05)
	Rates of employee turnover				
	Management	Moderate	Moderate	Moderate	Moderate
	Non - Management	Light	–	Light	–

xii) Sensitivity analysis

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

	Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease
	(Rupees '000)	
Discount rate	(346,853)	409,786
Future salary growth	138,515	(127,863)
Future pension	187,001	(160,730)

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

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

	Gratuity	Pension
	(Years)	
Plan Duration		
December 31, 2014	6.50	7.00

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

xv) Projected benefit payments from funds are as follows:

	Gratuity	Pension
	(Rupees '000)	
FY 2015	153,782	185,543
FY 2016	332,651	193,880
FY 2017	207,577	207,691
FY 2018	284,307	248,255
FY 2019	232,016	209,189
FY 2020 - FY 2024	1,456,111	1,507,877
FY 2025 - FY 2029	1,926,038	2,179,571

xvi) "Salaries, wages and benefits" expense, stated in notes 29 and 30 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs 149,918 thousand, Rs 112,607 thousand, Rs 103,826 thousand and Rs 172,284 thousand respectively (2013: Rs 178,466 thousand, Rs 156,662 thousand, Rs 94,381 thousand and Rs 311,133 thousand respectively).

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for the year ended December 31, 2014

		2014 Total	2013 Total
		(Rupees '000)	
11.1	**Defined contribution plans**		
	Details of Employees' Provident Funds based on un-audited financial statements for the year ended December 31, 2014 are as follows:		
	Size of the fund (total assets)	5,273,006	5,307,850
	Cost of investments made	4,533,096	4,517,525
	Fair value of investments made	4,737,691	4,813,362
		%	%
	Percentage of investments made	90	91

	2014 (Rupees '000)	2014 % age	2013 (Rupees '000)	2013 % age
Breakup of investment - at cost				
Term deposits and funds with scheduled banks	2,697,876	60	2,619,440	58
Government securities	276,299	6	37,908	1
Listed securities, mutual funds and term finance certificates	1,558,921	34	1,860,177	41
	4,533,096	100	4,517,525	100

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

		Note	2014	2013
			(Rupees '000)	
12.	**INTEREST AND MARK - UP ACCRUED**			
	On long term borrowings		93,107	41,856
	On short term borrowings		22,784	248,928
			115,891	290,784
13.	**SHORT TERM BORROWINGS**			
	FFC			
	Short term running finance facilities from banking companies - secured	13.1		
	MCB Bank Limited (MCB - 1)		1,300,000	1,200,000
	MCB Bank Limited (MCB - 2)		100,000	–
	Allied Bank Limited (ABL)		2,000,000	2,000,000
	Bank Al-Habib Limited (BAHL)		989,393	–
	United Bank Limited (UBL)		750,000	–
	Askari Bank Limited (AKBL)		491,576	–
	Bank Alfalah Limited (BAFL)		499,985	–
	Habib Bank Limited (HBL)		1,596,489	–
	Istisna facilities			
	Meezan Bank Limited (MBL - 1)		2,925,000	1,200,000
	Meezan Bank Limited (MBL - 2)		500,000	2,000,000
	Bank Islami Pakistan Limited (BIPL)		–	600,000
	Dubai Islamic Bank (Pakistan) Limited (DIBL)		450,000	–
	FFBL			
	From banking companies and financial institutions	35	–	7,985,128
			11,602,443	14,985,128

13.1 Terms and conditions of these borrowings are as follows:

Lender	Mark-up rate p.a. (%)	Maturity date
MCB Bank Limited (MCB - 1)	1 month KIBOR + 0.08	May 31, 2015
MCB Bank Limited (MCB - 2)	1 month KIBOR + 0.35	May 31, 2015
Allied Bank Limited (ABL)	3 month KIBOR + 0.15	July 31, 2015
Bank Al-Habib Limited (BAHL)	1 month KIBOR + 0.05	June 30, 2015
United Bank Limited (UBL)	1 month KIBOR + 0.25	January 31, 2015
Askari Bank Limited (AKBL)	1 month KIBOR + 0.20	June 30, 2015
Bank Alfalah Limited (BAF)	3 month KIBOR + 0.10	March 31, 2015
Habib Bank Limited (HBL)	1 month KIBOR + 0.30	April 30, 2015
Meezan Bank Limited (MBL - 1)	3 month KIBOR + 0.10	May 31, 2015
Meezan Bank Limited (MBL - 2)	3 month KIBOR + 0.05	March 26, 2015
Dubai Islamic Bank (Pakistan) Limited (DIBL)	1 month KIBOR + 0.10	June 30, 2015

These represent amounts available against facilities available from various banking companies under mark-up / profit arrangements amounting to Rs 13.30 billion (2013: Rs 10.35 billion) which represent the aggregate of sale prices of all mark-up / profit agreements between the Company and respective banks.

The facilities are secured by pari passu and ranking hypothecation charges on assets of the Company. Facilities amounting to Rs 1.0 billion (2013: Rs 2.0 billion) are secured against lien over Term Deposit Receipts / PIBs.

		2014	2013
		(Rupees '000)	
14.	**CONTINGENCIES AND COMMITMENTS**		
a)	**Contingencies:**		
i)	Guarantees issued by banks on behalf of the Group companies	50,997	88,979
ii)	Claims against FFC and / or potential exposure not acknowledged as debt	50,696	50,696
iii)	The delay in the payment of sales tax on supply of electricity to NTDC for the period from September 2013 to November 2014 could result in levy of additional tax and penalties on FFCEL. FFCEL has already taken up the matter at High Court and the consultants are of the opinion that since the matter was sub judice, therefore, probability of levy of additional tax and penalties are remote.	56,123	–

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

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		2014	2013
		(Rupees '000)	
b)	**Commitments in respect of:**		
i)	Capital expenditure	2,994,277	1,916,960
ii)	Purchase of fertilizer, stores, spares and other operational items	2,869,125	3,527,402
iii)	Letter of credit issued by bank on behalf of FFCEL in ordinary		
	course of business, outstanding at year end	–	468,107
iv)	Investment in Fauji Fresh n Freeze Limited (formerly Al - Hamd		
	Foods Limited)	100,000	550,000
v)	Group's share of commitments of PMP as at September 30, 2014	–	271,442
vi)	Rentals under lease agreements:		
	Premises- not later than one year	71,398	88,464
	- later than one year and not later than:		
	two years	31,740	47,878
	three years	52,054	23,740
	four years	27,262	26,395
	five years	46,587	879
	Vehicles - not later than one year	33,538	33,292
	- later than one year and not later than:		
	two years	23,263	21,596
	three years	15,376	18,695
	four years	12,592	11,679
	five years	10,691	6,363

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land	Building and structures on freehold land	Building and structures on leashold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipment	Furniture and fixtures	Vehicles	Maintenance and other equipment	Library books	Capital work in progress (note 15.3)	Lease vehicles	Total
	(Rupees '000)														
As at January 1, 2013															
Cost	654,811	392,100	4,888,462	2,137,540	26,517	49,854,225	1,475,841	532,187	206,359	707,327	1,675,908	22,280	13,355,596	–	75,929,153
Accumulated Depreciation	–	(189,712)	(1,808,180)	(624,257)	(26,517)	(27,750,235)	(721,796)	(323,260)	(108,149)	(426,656)	(1,251,566)	(19,778)	–	–	(33,250,106)
Net Book Value	654,811	202,388	3,080,282	1,513,283	–	22,103,990	754,045	208,927	98,210	280,671	424,342	2,502	13,355,596	–	42,679,047
Year ended December 31, 2013															
Opening Net Book Value	654,811	202,388	3,080,282	1,513,283	–	22,103,990	754,045	208,927	98,210	280,671	424,342	2,502	13,355,596	–	42,679,047
Additions	68,709	41,404	418,168	–	–	1,056,589	312,601	449,762	111,330	166,786	237,379	1,902	4,947,444	2,439	7,814,513
Disposals															
Cost	–	–	(17,127)	–	–	(122)	–	(19,901)	(4,207)	(76,476)	(12,892)	–	–	–	(130,725)
Depreciation	–	–	–	–	–	50	–	15,335	3,573	69,607	12,638	–	–	–	101,203
	–	–	(17,127)	–	–	(72)	–	(4,566)	(634)	(6,869)	(254)	–	–	–	(29,522)
Transfers / adjustments	–	–	–	211,537	–	12,264,875	–	–	16,022	–	–	–	(15,247,838)	–	(2,755,404)
Depreciation Charge	–	(19,730)	(209,765)	(69,700)	–	(2,397,137)	(288,094)	(96,105)	(28,306)	(109,689)	(173,566)	(1,418)	–	(244)	(3,393,754)
Closing Net Book Value	723,520	224,062	3,271,558	1,655,120	–	33,028,245	778,552	558,018	196,622	330,899	487,901	2,986	3,055,202	2,195	44,314,880
As at January 1, 2014															
Cost	723,520	433,504	5,289,503	2,349,077	26,517	63,175,567	1,788,442	962,048	329,504	797,637	1,900,395	24,182	3,055,202	2,439	80,857,537
Accumulated depreciation	–	(209,442)	(2,017,945)	(693,957)	(26,517)	(30,147,322)	(1,009,890)	(404,030)	(132,882)	(466,738)	(1,412,494)	(21,196)	–	(244)	(36,542,657)
Net Book Value	723,520	224,062	3,271,558	1,655,120	–	33,028,245	778,552	558,018	196,622	330,899	487,901	2,986	3,055,202	2,195	44,314,880
Year ended December 31, 2014															
Opening Net Book Value	723,520	224,062	3,271,558	1,655,120	–	33,028,245	778,552	558,018	196,622	330,899	487,901	2,986	3,055,202	2,195	44,314,880
Additions	435,083	–	306,957	233,268	–	1,355,766	586,343	121,161	54,611	203,408	268,718	1,434	4,262,883	–	7,829,632
Disposals															
Cost	–	–	(1,578)	–	–	(8,696)	(213,769)	(18,607)	(1,516)	(84,861)	(17,449)	–	–	–	(346,476)
Depreciation	–	–	1,051	–	–	2,197	213,769	18,049	1,348	75,818	17,085	–	–	–	329,317
	–	–	(527)	–	–	(6,499)	–	(558)	(168)	(9,043)	(364)	–	–	–	(17,159)
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	(2,270,757)	–	(2,270,757)
Adjustments															
Cost	–	–	(1,733,407)	1,733,407	–	–	–	–	–	3,006	–	–	–	(3,006)	–
Accumulated depreciation	–	–	108,459	(108,459)	–	–	–	–	–	(1,948)	–	–	–	1,948	–
	–	–	(1,624,948)	1,624,948	–	–	–	–	–	1,058	–	–	–	(1,058)	–
Depreciation Charge	–	(19,749)	(145,194)	(139,441)	–	(2,380,683)	(305,824)	(115,327)	(31,120)	(114,269)	(218,271)	(1,491)	–	(379)	(3,471,748)
Discontinued operations – note 35															
Cost	(541,331)	(254,754)	–	(2,104,372)	–	(23,794,963)	(353,078)	(95,826)	(29,344)	(332,731)	(181,649)	(2,086)	(1,196,441)	–	(28,886,575)
Accumulated depreciation	–	94,450	–	692,991	–	14,173,690	238,325	52,276	6,953	185,754	159,838	2,070	–	–	15,606,347
	(541,331)	(160,304)	–	(1,411,381)	–	(9,621,273)	(114,753)	(43,550)	(22,391)	(146,977)	(21,811)	(16)	(1,196,441)	–	(13,280,228)
Balance as at December 31, 2014	617,272	44,009	1,807,846	1,962,514	–	22,375,556	944,318	519,744	197,554	265,076	516,173	2,913	3,850,887	758	33,104,620
As at December 31, 2014															
Cost	617,272	178,750	3,969,934	2,102,921	26,517	40,727,674	1,807,938	968,776	353,255	584,511	1,970,015	23,530	3,850,887	1,381	57,183,361
Accumulated depreciation	–	(134,741)	(2,162,088)	(140,407)	(26,517)	(18,352,118)	(863,620)	(449,032)	(155,701)	(319,435)	(1,453,842)	(20,617)	–	(623)	(24,078,741)
Net Book Value	617,272	44,009	1,807,846	1,962,514	–	22,375,556	944,318	519,744	197,554	265,076	516,173	2,913	3,850,887	758	33,104,620
Rate of depreciation / amortisation in %	–	61/4 to 91/4	5 to 10	5	5	5	20	15	10	20	15 – 33 1/3	30	–	–	–

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		Note	2014	2013
			(Rupees '000)	
15.1	**Depreciation charge has been allocated as follows:**			
	Continuing operations			
	Cost of sales	29	2,329,025	1,926,004
	Administrative and distribution expenses	30	77,988	68,590
	Charged to FFBL		7,378	–
	Discontinued operations			
	Cost of sales	35	1,015,698	1,360,967
	Administrative and distribution expenses	35	41,659	38,193
			3,471,748	3,393,754

15.2 Details of property, plant and equipment disposed off:

Description	Mode of disposal	Original Cost	Book value	Sale proceeds
			(Rupees '000)	
Office and electrical equipment, furniture and fixture and maintenance and other equipment				
Mr Chaudhry Khurshid	Through negotiation	950	418	450
M/s EFU Insurance	Insurance claim	16,989	11,282	22,115
Vehicles				
Mr Chaudhry Khurshid	Through negotiation	1,839	577	1,500
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		283,065	930	23,195
Continuing operations		302,843	13,207	47,260
Discontinued operations		43,633	3,952	17,999
2014		346,476	17,159	65,259
Continuing operations		100,271	24,631	51,639
Discontinued operations		30,454	4,891	17,716
2013		130,725	29,522	69,355

		Note	2014	2013
			(Rupees '000)	
15.3	**Capital Work in Progress**			
	Civil works including mobilization advance		770,814	997,105
	Plant and machinery including advances to suppliers		3,080,073	2,052,557
	Intangible assets under development		–	5,540
			3,850,887	3,055,202
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	41,970	82,358
	Goodwill	16.2	1,932,561	1,932,561
			1,974,531	2,014,919

		Note	2014	2013
			(Rupees '000)	
16.1	**Computer Software**			
	Balance at beginning		82,358	118,685
	Additions during the year		8,802	19,304
	Amortisation charged for the year		(49,190)	(55,631)
	Balance at end		41,970	82,358
	Amortisation rate		33 1/3%	33 1/3%
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	37,484	31,762
	Administrative and distribution expenses	30	11,706	23,869
			49,190	55,631
16.2	**Goodwill**			
	Goodwill on acquisition of PSFL	16.3	1,569,234	1,569,234
	Goodwill on acquisition of FFFL	16.4	363,327	363,327
			1,932,561	1,932,561

16.3 This represents excess of the amount paid by FFC over fair value of net assets of Pak Saudi Fertilizer Company Limited (PSFL) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective assets on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 2% and terminal value determined based on long term earning multiples. The cash flows are discounted using a discount rate of 16.4%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

16.4 This represents excess of the amount paid by FFC over fair value of net assets of Fauji Fresh n Freeze Limited (formerly Al-Hamd Foods Limited) on its acquisition. The recoverable amount of goodwill was tested for impairment by allocating the amount of goodwill to respective cash generating unit on which it arose, based on value in use in accordance with IAS-36 "Impairment of Assets". The value in use calculations are based on cash flow projections. The cash flows are discounted using a discount rate of 16.4%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2014	2013
			(Rupees '000)	
17.	**LONG TERM INVESTMENTS**			
	Equity accounted investments	17.1	34,453,126	7,567,355
	Askari Bank Limited	17.4	–	15,692,911
	Other long term investments	17.2	7,334,005	218,606
			41,787,131	23,478,872

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		Note	2014	2013
			(Rupees '000)	
17.1	**Equity accounted investments**			
	Investment in associated companies - under equity method			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	17.3		
	Fair value of investment retained after loss of control	35	18,710,223	–
	Share of profit for the period October 3, 2014 to December 31, 2014		1,118,510	–
	Dividend received during the period October 3, 2014 to December 31, 2014		(349,423)	–
			19,479,310	–
	Askari Bank Limited (AKBL)	17.4		
	Fair value of investment retained after loss of control		11,859,580	–
	Share of profit for the period October 3, 2014 to December 31, 2014		–	–
			11,859,580	–
	Fauji Cement Company Limited (FCCL)	17.5		
	Cost of investment		1,800,000	1,800,000
	Post acquisition profits at the beginning		349,878	309,528
	Share of profit for the year		207,670	180,972
	Dividend received during the year		(168,750)	(140,622)
			388,798	349,878
	Discontinued operations	35	(364,798)	–
			1,824,000	2,149,878
	Foundation Wind Energy-I Limited			
	Advance for issue of shares - balance at beginning		923,941	329,390
	Advance paid for the period January 1, 2014 to October 3, 2014 / during the year		189,043	603,664
	Share of loss for the period January 1, 2014 to October 3, 2014 / for the year		(10,631)	(9,113)
			178,412	594,551
	Discontinued operations	35	(1,102,353)	–
			–	923,941
	Foundation Wind Energy-II (Private) Limited			
	Advance for issue of shares - balance at beginning		971,100	620,290
	Advance paid during the period January 1, 2014 to October 3, 2014 / during the year		96,226	357,546
	Share of loss for period January 1, 2014 to October 3, 2014 / for the year		(1,653)	(6,736)
			94,573	350,810
	Discontinued operations	35	(1,065,673)	–
			–	971,100
	Investment in joint venture - under equity method			
	Pakistan Maroc Phosphore S.A. Morocco (PMP)	17.6		
	Cost of investment		2,117,075	2,117,075
	Post acquisition (loss) / profit at the beginning		(155,301)	153,657
	Share of profit / (loss) for the year		553,461	(308,958)
	Gain on translation of net assets		1,354,774	1,558,662
			1,752,934	1,403,361
	Discontinued operations	35	(2,579,773)	–
	Balance at the end		1,290,236	3,520,436
	Advance paid against issue of shares	17.7		
	Fauji Meat Limited	35	–	1,000
	Fauji Food Limited	35	–	1,000
			–	2,000
			34,453,126	7,567,355

		Note	2014	2013
			(Rupees '000)	
17.2	**Other long term investments**			
	Investments available for sale	17.8		
	Certificates of Investment		113,868	118,239
	Pakistan Investment Bonds		7,178,198	59,497
	Term Finance Certificates		99,500	96,000
	Arabian Sea Country Club Limited (ASCCL)	35		
	(300,000 shares of Rs 10 each)		–	3,000
	Less: Impairment in value of investment		–	(3,000)
			–	–
			7,391,566	273,736
	Less: Current portion shown under short term investments			
	Certificates of Investment		27,094	26,005
	Pakistan Investment Bonds		30,467	29,125
	Term Finance Certificates		–	–
		26	57,561	55,130
			7,334,005	218,606

17.3 Investment in FFBL - at equity method

As explained in note 1.2, FFC has lost control over FFBL and investment of 465,892 thousand fully paid ordinary shares of Rs 10 each representing 49.88% of FFBL's share capital retained in FFBL as at December 31, 2014 is remeasured to its fair value at the date when control is lost. FFBL became associated company and investment is accounted for under equity method. Market value of the FFC's investment in FFBL as at December 31, 2014 was Rs 21,062,973 thousand.

17.4 Investment in AKBL - at equity method

As explained in note 1.2, FFC has lost control over AKBL and investment retained in AKBL of 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2013: 43.15%) of AKBL's share capital as at December 31, 2014 is remeasured to its fair value at the date when control is lost. AKBL became associated company and investment is accounted for under equity method. Market value of FFC's investment in AKBL as at December 31, 2014 was Rs 12,544,728 thousand.

17.5 Investment in FCCL - at equity method

Investment in FCCL represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 6.79% of its share capital as at December 31, 2014. FFC is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by Faysal Bank Limited, remains outstanding or without prior consent of FCCL. Market value of the FFC's investment as at December 31, 2014 was Rs 2,422,500 thousand (2013: Rs 1,495,313 thousand).

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17.6 Investment in joint venture - under equity method

Cost of investment represents equivalent to Moroccan Dirhams 100,000 thousand representing 12.50% interest in PMP, a joint venture between FFC, FFBL, Fauji Foundation and Officie Cherifien Des Phosphates, Morocco. The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad.

According to the shareholders' agreement, if any legal restrictions are laid on dividends by Pakistan Maroc Phosphore S.A. (PMP), the investment will be converted to interest bearing loan. FFC and FFBL has also committed not to pledge shares of PMP without prior consent of PMPs' lenders. According to the Shareholders' agreement, if any legal restriction is laid on dividends by PMP, the investment will be converted to interest bearing loan. FFC has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

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

	December 2014	December 2013	September 2014	September 2013	September 2014	September 2013	September 2014	September 2013
	(Rupees '000)							
	FFBL (Associate)		AKBL (Associate)		FCCL (Associate)		PMP (Joint venture)	
Non - current assets	25,482,422	23,000,285	368,971,394	324,527,232	24,565,589	24,936,763	12,349,639	13,443,352
Non - current liabilities	13,317,192	4,044,516	358,305,172	309,169,828	(9,891,848)	(9,979,584)	(2,685,606)	(4,503,080)
Current assets	21,995,709	14,155,112	40,514,456	31,375,897	6,102,755	6,198,785	11,547,107	10,725,957
Current liabilities	19,907,588	19,329,309	30,837,698	28,268,256	(5,360,220)	(6,269,133)	(10,892,064)	(10,279,349)
Revenue for the year / period	49,445,256	54,455,168	28,740,855	23,389,633	13,587,337	12,405,612	22,608,398	21,834,051
Expenses for the year / period	45,048,476	48,820,657	25,628,152	27,339,634	(11,610,357)	(10,648,831)	(21,702,795)	(22,438,397)
Profit / (loss) for the year / period	4,396,778	5,634,511	3,112,703	(3,950,001)	1,976,980	1,756,781	903,603	(604,346)

Except for FFBL, Financial statements of other investees for the period ended September 30, 2014 have been used for accounting under equity method as these were the latest approved financial statements. Further, results of operations of last quarter of 2013 have also been considered for equity accounting.

17.8 Investments available for sale

Certificates of Investment (COI) / Term deposits receipts

These represent placements in Certificates of Investment / Term deposits receipts of financial institution for periods ranging from one to five years having returns in the range of 7.58% to 12.32% per annum (2013: 7.58% to 14.18% per annum). Cost of these investments at year end amounted to Rs 113,868 thousand (2013: Rs 118,239 thousand).

Pakistan Investment Bonds (PIBs)

PIBs ranging from 3 to 7 years were purchased and are due to mature within a period of 5 years. Profit is receivable on half yearly basis with coupon rates ranging from 11.25% to 11.75% per annum (2013: 8% to 11.75% per annum). Cost of these investments at year end amounted to Rs 6,710,676 thousand (2013: Rs 39,576 thousand).

Term Finance Certificates (TFCs)

These include 20,000 certificates of Rs 5,000 each of Engro Fertilizer Limited (EFL). Profit is receivable on half yearly basis at the rate of six months' KIBOR + 1.55% per annum. Cost of these investments at year end amounted to Rs 100,000 thousand (2013: Rs 100,000 thousand).

		Note	2014	2013
			(Rupees '000)	
18.	**LONG TERM LOANS AND ADVANCES - SECURED**			
	Loans and advances - considered good, to:	18.1		
	Executives		769,788	693,808
	Other employees		338,839	285,950
			1,108,627	979,758
	Less: Amount due within twelve months, shown			
	under current loans and advances	23	285,439	239,350
			823,188	740,408

18.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2014 Total	2013 Total
	(Rupees '000)			
Balance at January 1	693,808	285,950	979,758	939,698
Disbursements	346,518	127,156	473,674	427,975
	1,040,326	413,106	1,453,432	1,367,673
Repayments	270,538	74,267	344,805	387,915
Balance at December 31	769,788	338,839	1,108,627	979,758

These represent secured house building loans, house rent advances and advances pursuant to agreement with employees which are repayable within one to ten years. House building loans carry mark-up at 7% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 772,804 thousand (2013: Rs 769,035 thousand).

		Note	2014	2013
			(Rupees '000)	
19.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Deposits		14,568	82,493
	Prepayments		3,236	562
			17,804	83,055
20.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		266,801	619,128
	Spares		3,127,230	4,846,761
	Provision for slow moving spares	20.1	(390,866)	(497,722)
			2,736,364	4,349,039
	Loose tools		132	108
	Items in transit		311,526	383,863
			3,314,823	5,352,138
20.1	**Movement of provision for slow moving spares**			
	Balance at the beginning		497,722	467,714
	Provision during the year		58,694	30,008
	Discontinued operations	35	(165,550)	–
	Balance at the end		390,866	497,722

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		Note	2014	2013
			(Rupees '000)	
21.	**STOCK IN TRADE**			
	Raw materials		227,227	354,496
	Work in process		64,860	94,839
	Finished goods - manufactured urea		584,930	619,020
	- purchased fertilizer		21,504	–
	Stocks in transit		86,826	362,859
			985,347	1,431,214
22.	**TRADE DEBTS**			
	Considered good:			
	Secured			
	against bank guarantees		772,417	2,226,368
	against guarantee issued by the Government of Pakistan	22.1	1,394,381	567,071
	Unsecured		54,465	77,816
	Considered doubtful		1,758	1,758
			2,223,021	2,873,013
	Provision for doubtful debts		(1,758)	(1,758)
			2,221,263	2,871,255

22.1 These are secured by way of Guarantee issued by the Government of Pakistan under the Implementation Agreement dated February 18, 2011. Further these are subject to mark-up on delay payments under Energy Purchase Agreement dated April 5, 2011 at the rate of 3 month Kibor plus 4.5% per annum.

Included in trade debts is an amount of Rs 715,051 thousand receivable from NTDC on account of sales tax invoices raised for the period from May 2013 to December 2014. Earlier the matter relating to chargeability of sales tax on supply of electricity generated through wind was under litigation, because of the reason that settlement of sales tax due from NTDC was disallowed by NTDC on the understanding that tariff structure for wind power companies represents only fixed component and accordingly not subject to sales tax under the Sales Tax Act, 1990 read with allied rules. However during the year the Appellate Tribunal Inland Revenue (ATIR) has decided that supply and distribution of electricity generated through wind is chargeable to sales tax, accordingly FFCEL has issued sales tax invoices to NTDC.

		Note	2014	2013
			(Rupees '000)	
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	285,439	239,350
	Loans and advances - unsecured - considered good			
	- Executives		55,019	386,821
	- Others		28,905	165,324
	Advances to suppliers - considered good		162,016	708,552
			531,379	1,500,047

		Note	2014	2013
			(Rupees '000)	
24.	**DEPOSITS AND PREPAYMENTS**			
	Deposits		1,824	12,193
	Prepayments		25,765	62,062
			27,589	74,255
25.	**OTHER RECEIVABLES**			
	Accrued income on investments and bank deposits		534,778	185,948
	Sales tax receivable		42,486	233,177
	Advance tax	25.1	322,475	325,957
	Receivable from Workers' Profit Participation			
	Fund - unsecured	25.2	55,300	10,032
	Due from government agencies		37,953	–
	Due from Gratuity Fund		28,090	–
	Due from Pension Fund		59,019	9,759
	Other receivables			
	considered good		102,126	291,325
	considered doubtful		2,232	2,232
	Provision for doubtful receivables		(2,232)	(2,232)
			102,126	291,325
			1,182,227	1,056,198

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

		Note	2014	2013
			(Rupees '000)	
25.2	**Workers' Profit Participation Fund (WPPF)**			
	Balance at beginning		10,032	53,095
	Allocation for the year		(1,409,278)	(2,029,763)
	Adjustment for prior years		–	(6,790)
	Receipt from fund	25.2.1	(69,917)	(73,552)
	Payment to fund		1,475,000	2,067,042
	Discontinued operations	35	49,463	–
			55,300	10,032

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

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		Note	2014	2013
			(Rupees '000)	
26.	**SHORT TERM INVESTMENTS**			
	Term deposits with banks and financial institutions			
	Loans and receivables	26.1		
	Local currency - Net of provision for doubtful recovery			
	Rs 3,900 thousand (2013: Rs 3,900 thousand)		25,400,000	18,620,000
	Foreign currency		1,309,818	1,335,731
			26,709,818	19,955,731
	Investments at fair value through profit or loss	26.2		
	Market treasury bills / money market funds		665,458	4,272,570
	Current maturity of long term investments			
	Available for sale	17	57,561	55,130
			27,432,837	24,283,431

26.1 These represent investments having maturities ranging between 1 to 12 months and are being carried at cost as management expects there would be insignificant change in the rate of returns on comparable investments. Term deposits receipts amounting to Rs 500,000 thousand (2013: Rs 2,000,000 thousand) are under lien of an Islamic financial institution in respect of Istisna facility availed.

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

		2014	2013
		(Rupees '000)	
27.	**CASH AND BANK BALANCES**		
	At banks		
	Deposit accounts		
	Local currency	2,048,137	3,852,524
	Foreign currency (US $ 29,000 : 2013 ; US $ 26,154)	2,919	2,806
		2,051,056	3,855,330
	Current accounts		
	Local currency	(2,052)	335,586
	Cash in hand	1,598	3,013
		2,050,602	4,193,929

27.1 Balances with banks include Rs 653,943 thousand (2013: Rs 567,735 thousand) in respect of security deposits received.

27.2 Balances with banks carry markup ranging from 5% to 10% (2013: 5% to 10.25%) per annum.

28. SALES

Sales include Rs 8,734,079 thousand (2013: Rs 4,774,850 thousand) in respect of sale of purchased fertilizers and are exclusive of sales tax of Rs 22,555,150 thousand (2013: Rs 22,660,856 thousand).

		Note	2014	(Re-presented) 2013
			(Rupees '000)	
29.	**COST OF SALES**			
	Raw materials consumed		24,372,474	18,614,731
	Fuel and power		7,713,599	6,820,526
	Chemicals and supplies		366,674	377,799
	Salaries, wages and benefits		5,023,955	4,080,120
	Training and employees welfare		833,770	708,160
	Rent, rates and taxes		16,099	23,248
	Insurance		255,119	242,076
	Travel and conveyance	29.1	479,802	391,572
	Repairs and maintenance (includes stores and spares consumed of Rs 1,239,353 thousand; (2013: Rs 1,267,633 thousand))		1,371,026	1,411,405
	Depreciation	15.1	2,329,025	1,926,004
	Amortisation	16.1	37,484	31,762
	Communication and other expenses	29.2	1,641,817	1,844,199
			44,440,844	36,471,602
	Opening stock - work in process		67,903	45,216
	Closing stock - work in process		(64,860)	(67,903)
			3,043	(22,687)
	Cost of goods manufactured		44,443,887	36,448,915
	Opening stock of manufactured urea		71,424	80,055
	Closing stock of manufactured urea		(584,930)	(71,424)
			(513,506)	8,631
	Cost of sales - own manufactured urea		43,930,381	36,457,546
	Opening stock of purchased fertilizers		–	274,029
	Purchase of fertilizers for resale		6,969,361	3,685,595
			6,969,361	3,959,624
	Closing stock of purchased fertilizers		(21,504)	–
	Cost of sales - purchased fertilizers		6,947,857	3,959,624
			50,878,238	40,417,170

29.1 These include operating lease rentals amounting to Rs 45,478 thousand (2013: Rs 41,670 thousand).

29.2 This includes provision for slow moving spares amounting to Rs 58,694 thousand (2013: Rs 30,008 thousand).

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		Note	2014	(Re-presented) 2013
			(Rupees '000)	
30.	**ADMINISTRATIVE AND DISTRIBUTION EXPENSES**			
	Administrative expenses	30.1	163,521	69,371
	Product transportation		3,970,241	3,797,513
	Salaries, wages and benefits		1,322,121	1,271,875
	Training and employees welfare		80,924	82,640
	Rent, rates and taxes		105,131	81,768
	Technical services to farmers		14,795	10,558
	Travel and conveyance	30.2	198,186	162,629
	Sale promotion and advertising		208,218	113,027
	Communication and other expenses		394,452	490,979
	Warehousing expenses		69,757	64,736
	Depreciation	15.1	77,988	68,590
	Amortisation	16.1	11,706	23,869
			6,617,040	6,237,555

30.1 Administrative expenses

These represents administrative and general expenses of FFCEL and FFFL

	2014	(Re-presented) 2013
	(Rupees '000)	
Salaries, wages and benefits	83,895	31,229
Travel and conveyance	10,154	1,325
Utilities	8,923	898
Printing and stationery	2,036	17
Repairs and maintenance	1,119	659
Communication, advertisement and other expenses	4,144	(4,655)
Rent, rates and taxes	9,725	9,614
Legal and professional	19,413	14,777
Miscellaneous	24,112	15,507
	163,521	69,371

30.2 These include operating lease rentals amounting to Rs 130,420 thousand (2013: Rs 110,477 thousand).

		2014	(Re-presented) 2013
		(Rupees '000)	
31.	**FINANCE COST**		
	Mark-up on long term borrowings	1,822,512	1,119,627
	Mark-up on short term borrowings	218,782	168,689
	Exchange loss - net	87,897	–
	Bank charges	20,071	85,109
		2,149,262	1,373,425

		2014	(Re-presented) 2013
		(Rupees '000)	
32.	**OTHER EXPENSES**		
	Research and development	355,424	372,447
	Workers' Profit Participation Fund (WPPF)	1,409,278	1,580,082
	Workers' Welfare Fund	535,526	603,028
	Auditors' remuneration		
	Audit fee	1,650	1,500
	Fee for half yearly review, audit of consolidated financial statements and review of Code of Corporate Governance	804	30
	Out of pocket expenses	255	35
		2,709	1,565
	Others	625	740
		2,303,562	2,557,862

32.1 In addition to the auditor's remuneration above, communication and other expenses stated in note 29 and note 30 include Rs 28,434 thousand (2013: Rs 14,545 thousand) on account of taxation services and audit of employees funds.

		2014	(Re-presented) 2013
		(Rupees '000)	
33.	**OTHER INCOME**		
	Income from financial assets		
	Income on loans, deposits and investments	1,667,099	1,347,926
	Gain on remeasurement of investments classified as fair value through profit and loss	34,622	231,194
	Dividend income	–	92,692
	Exchange gain	37,634	119,313
		1,739,355	1,791,125
	Income from non-financial assets		
	Gain on disposal of property, plant and equipment	34,054	27,008
	Commission on sale of FFBL products	7,166	–
		41,220	27,008
	Other income		
	Scrap sales	19,373	10,689
	Others	113,674	63,161
		133,047	73,850
		1,913,622	1,891,983

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		2014	(Re-presented) 2013
		(Rupees '000)	
34.	**PROVISION FOR TAXATION**		
	Current tax	7,873,860	9,194,995
	Deferred tax	203,021	52,995
		8,076,881	9,247,990
	Reconciliation between tax expense and accounting profit		
	Profit before taxation from continuing operations and share in profit of equity accounted investments	24,523,287	27,283,404

	2014 %	2013 %
Applicable tax rate	33.00	34.00
Tax effect of income that is not taxable or taxable at reduced rates	0.51	0.08
Effect of change in tax rate	0.13	(0.55)
Others	(0.70)	0.37
Average effective tax rate charged on income	32.94	33.90

35. DISCONTINUED OPERATIONS

35.1 As explained in note 1.2, during the year 1% equity of Fauji Fertilizer Bin Qasim Limited (FFBL) aggregating to 9,341,100 ordinary shares, held by FFC, were sold to FF on October 3, 2014 at the closing market price. Further, FFC irrevocably appointed FF as its proxy, to represent FFC in the general meetings of FFBL and AKBL allowing FF to vote for and on behalf of FFC and resolved that representatives of FF may be elected or co-opted or appointed on the Board of Directors of FFBL and AKBL, as nominated by FF. This has resulted in loss of control over FFBL and AKBL and accordingly, the status of FFBL and AKBL has been changed to associated companies of FFC. The group has classified FFBL and AKBL as discontinued operations. The results of the discontinued operations are presented below:

		Note	Jan 1, 2014 to Oct 03, 2014	Jan 1, 2013 to Dec 31, 2013
			(Rupees '000)	
35.2	**Profit and loss account**			
	Sales		28,934,570	54,455,168
	Cost of sales		22,646,846	39,942,664
	Gross profit		6,287,724	14,512,504
	Administrative and distribution expenses		3,361,691	4,507,316
			2,926,033	10,005,188
	Finance cost		1,044,603	1,514,931
	Other expenses		188,217	629,474
			1,693,213	7,860,783
	Other income			
	Gain on loss of control			
	- FFBL	35.3	13,246,045	–
	- AKBL	35.4	1,397,659	–
	Dividend from AKBL		543,768	–
	Others		758,361	657,448
			15,945,833	657,448
	Share in profit / (loss) of equity accounted investments		391,301	(135,053)
	Profit before taxation		18,030,347	8,383,178
	Provision for taxation - (charge) / credit			
	- Current		(874,861)	(3,091,592)
	- Deferred		104,258	342,925
			(770,603)	(2,748,667)
	Net profit from discontinued operations		17,259,744	5,634,511

Comparative figures in the consolidated profit and loss account have been re-presented to separately disclose discontinued operations.

		Note	October 03, 2014 (Rupees '000)
35.3	**Gain on loss of control of FFBL**		
	Sale proceed from sale of shares		375,139
	Non - controlling interest		6,209,953
	Reserves recycled to profit and loss		582,015
	Fair value of equity interest retained		18,710,223
			25,877,330
	Value of net assets as at October 3, 2014	35.8	(12,631,285)
	Gain on loss of control		13,246,045
35.4	**Gain on loss of control of AKBL**		
	Fair value of equity interest retained		11,859,580
	Cost of equity interest retained as at October 3, 2014		(10,461,921)
	Gain on loss of control		1,397,659

		Jan 1, 2014 to Oct 03, 2014	Jan 1, 2013 to Dec 31, 2013
		(Rupees '000)	
35.5	Other comprehensive income		
	Exchange difference on translating foreign investment	(135,925)	326,903
	Loss on remeasurement of staff retirement benefit plans - net of tax	(26,514)	(39,275)
		(162,439)	287,628
35.6	Earnings per share from discontinued operations	13.57	4.43

		October 03, 2014 (Rupees '000)
35.7	The cash outflow on FFBL disposal is as follows:	
	Consideration received	375,139
	Cash and cash equivalents disposed of	(585,607)
	Cash outflow on FFBL disposal	(210,468)

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35.8 Details of the assets and liabilities of discontinued operations as at October 3, 2014 and included in consolidated financial statements for the year ended December 31, 2014 are as follows:

	October 03, 2014	December 31, 2013
	(Rupees '000)	
Assets		
Non - Current Assets		
Property, plant and equipment	13,280,228	13,059,509
Long term investments	10,343,588	9,831,069
Long term deposits and prepayments	78,643	78,643
	23,702,459	22,969,221
Current Assets		
Stores, spares and loose tools	2,244,206	2,107,493
Stock in trade	6,813,564	1,129,257
Trade debts	1,244,908	1,603,643
Loans and advances	766,971	577,966
Deposits and prepayments	59,210	29,877
Other receivables	486,515	904,192
Short term investments	6,608,935	5,323,136
Cash and bank balances	3,411,098	2,479,548
	21,635,407	14,155,112
Total Assets	45,337,866	37,124,333
Liabilities		
Non - Current Liabilities		
Long term borrowings	10,000,000	584,119
Deferred liabilities		
- Compensated leave absences	440,306	358,052
- Deferred tax	2,998,086	3,102,345
	3,438,392	3,460,397
	13,438,392	4,044,516
Current Liabilities		
Trade and other payables	11,253,812	8,371,863
Interest and mark - up accrued	253,060	236,052
Short term borrowings	5,602,571	7,985,128
Current portion of long term borrowings	1,944,600	2,008,683
Taxation	214,146	727,583
	19,268,189	19,329,309
Total liabilities	32,706,581	23,373,825
Net Assets	12,631,285	13,750,508

	2014	2013
	(Rupees '000)	
36. EARNINGS PER SHARE - Basic and diluted		
Profit after tax attributable to Equity holders of Fauji Fertilizer Company Limited		
Continuing operations	17,378,695	18,026,633
Discontinued operations	17,259,744	5,634,511
	34,638,439	23,661,144
Weighted average number of shares in issue ('000)	1,272,238	1,272,238
Basic and diluted earnings per share (Rupees)		
Continuing operations	13.66	14.17
Discontinued operations	13.57	4.43
	27.23	18.60

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

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2014		2013	
	Chief Executive	Executive	Chief Executive	Executive
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	8,561	1,486,652	7,510	1,253,607
Contribution to provident fund	615	91,310	518	78,322
Bonus and other awards	3,703	1,766,538	5,261	1,350,706
Allowances and contribution to retirement benefit plans	6,398	1,130,354	8,738	956,761
Total	19,277	4,474,854	22,027	3,639,396
No. of person(s)	1	743	1	660

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Group's policy. Gratuity is payable to the chief executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs thousand (2013: Rs Nil) and Rs thousand (2013: Rs 65,921 thousand) were paid to the chief executive and executives respectively on separation, in accordance with the Group's policy.

In addition, 18 (2013: 14) directors were paid aggregate fee of Rs 5,570 thousand (2013: Rs 5,125 thousand).

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		2014	(Re-presented) 2013
		(Rupees '000)	
38.	**CASH GENERATED FROM OPERATIONS**		
	Net profit before taxation from continuing operations	25,455,576	27,274,623
	Adjustments for:		
	Depreciation and amortisation	2,456,203	2,050,225
	Provision for slow moving spares	58,694	30,008
	Finance cost	2,149,262	1,373,425
	Income on loans, deposits and investments	(1,667,099)	(1,347,926)
	Gain on remeasurement of investments at fair value through profit or loss	(34,622)	(231,194)
	Dividend income	–	(92,692)
	Exchange gain	(37,634)	(119,313)
	Share of (profit) / loss of associate and joint venture	(1,476,057)	8,781
	Gain on disposal of property, plant and equipment	(34,054)	(27,008)
		1,414,693	1,644,306
		26,870,269	28,918,929
	Changes in working capital		
	(Increase) / decrease in current assets		
	Stores and spares	(128,872)	(175,715)
	Stock in trade	(683,390)	140,182
	Trade debts	(953,651)	2,343,864
	Loans and advances	395,702	(249,104)
	Deposits and prepayments	16,789	(18,214)
	Other receivables	(239,152)	170,415
	Increase in current liabilities		
	Trade and other payables	15,721,618	6,491,183
		14,129,044	8,702,611
	Changes in long term loans and advances	(82,780)	(39,622)
	Changes in long term deposits and prepayments	(13,392)	3,038
	Changes in deferred liabilities	104,350	51,509
		41,007,491	37,636,465
38.1	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	2,050,602	4,193,929
	Short term running finance	(11,602,443)	(7,635,128)
	Short term highly liquid investments	25,709,818	19,850,951
		16,157,977	16,409,752

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 Financial instruments by category

December 31, 2014	Loans and receivables	Available for sale investments	Fair value through profit or loss	Total
		(Rupees '000)		
Financial assets				
Maturity up to one year				
Trade debts - net of provision	2,221,263	–	–	2,221,263
Loans and advances	369,363	–	–	369,363
Deposits	1,824	–	–	1,824
Other receivables	636,904	–	–	636,904
Short term investments	26,709,818	57,561	665,458	27,432,837
Cash and bank balances	2,050,602	–	–	2,050,602
Maturity after one year				
Long term investments	–	7,334,005	–	7,334,005
Long term loans and advances	823,188	–	–	823,188
Deposits	14,568	–	–	14,568
	32,827,530	7,391,566	665,458	40,884,554

	Other financial liabilities	Total
	(Rupees '000)	
Financial liabilities		
Maturity up to one year		
Trade and other payables	29,374,814	29,374,814
Interest and mark up accrued	115,891	115,891
Current portion of liability against assets subject to finance lease	238	238
Short term borrowings	11,602,443	11,602,443
Current portion of long term borrowings	3,054,000	3,054,000
Maturity after one year		
Long term borrowings	11,406,203	11,406,203
Liability against assets subject to finance lease	2,893	2,893
	55,556,482	55,556,482

December 31, 2013	Loans and receivables	Available for sale investments	Fair value through profit or loss	Total
		(Rupees '000)		
Financial assets				
Maturity up to one year				
Trade debts - net of provision	2,871,255	–	–	2,871,255
Loans and advances	791,495	–	–	791,495
Deposits	12,193	–	–	12,193
Other receivables	477,273	–	–	477,273
Short term investments	19,955,731	55,130	4,272,570	24,283,431
Cash and bank balances	4,193,929	–	–	4,193,929
Maturity after one year				
Long term investments	–	218,606	–	218,606
Long term loans and advances	740,408	–	–	740,408
Deposits	82,493	–	–	82,493
	29,124,777	273,736	4,272,570	33,671,083

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	Other financial liabilities	Total
	(Rupees '000)	
Financial liabilities		
Maturity up to one year		
Trade and other payables	20,074,468	20,074,468
Interest and mark-up accrued	290,784	290,784
Current portion of liability against assets subject to finance lease	849	849
Short term borrowings	14,985,128	14,985,128
Current portion of long term borrowings	3,812,186	3,812,186
Maturity after one year		
Long term borrowings	14,391,192	14,391,192
Liability against assets subject to finance lease	564	564
	53,555,171	53,555,171

39.2 Credit quality of financial assets

The credit quality of group companies financial assets have been assessed below by reference to external credit rating of counterparties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR - VIS Credit Rating Company Limited (JCR - VIS). The counterparties for which external credit ratings were not available have been assessed by reference to internal credit ratings determined based on their historical information for any default in meeting obligations.

	Rating	2014	2013
		(Rupees '000)	
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past		2,221,263	2,871,255
Loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		369,363	791,495
Deposits			
Counterparties without external credit ratings			
Others		1,824	12,193
Other receivables			
Counterparties with external credit ratings	A1 +	438,517	147,727
	A1	96,260	38,291
Counterparties without external credit ratings			
Others		102,127	291,255
		636,904	477,273
Short term investments			
Counterparties with external credit ratings	A1 +	23,824,739	15,418,578
	A1	3,608,098	2,741,717
	A2	–	800,000
Others	A2	–	5,323,136
		27,432,837	24,283,431
Bank balances			
Counterparties with external credit ratings	A1 +	1,699,805	3,356,101
	A1	350,797	837,828
		2,050,602	4,193,929

	Rating	2014	2013
		(Rupees '000)	
Long term investments			
Counterparties with external credit ratings	AA -	6,722,322	96,000
	AA	611,683	92,234
	AA +	–	30,372
		7,334,005	218,606
Long term loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		823,188	740,408

39.3 Financial risk factors

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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

The Group company's risk management policies are established to identify and analyze the risks faced by the company's, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group company's activities. The Group Company's, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group Company's. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

39.4 Credit risk

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

	2014	2013
	(Rupees '000)	
Long term investments	7,334,005	218,606
Loans and advances	1,192,551	1,531,903
Deposits	16,747	94,686
Trade debts - net of provision	2,221,263	2,871,255
Other receivables - net of provision	636,904	477,273
Short term investments	27,432,837	24,283,431
Bank balances	2,049,004	4,190,916
	40,883,311	33,668,070

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Geographically there is no concentration of credit risk.

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

The Group's most significant amount receivable is from a bank which amounts to Rs 6,000,000 thousand (2013: Rs 6,220,038 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts are secured against letter of guarantee. The Group companies have placed funds in financial institutions with high credit ratings. The Group companies assess the credit quality of the counter parties as satisfactory. The Group companies do not hold any collateral as security against any of their financial assets other than trade debts.

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

Impairment losses

The aging of trade debts at the reporting date was:

	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
	(Rupees '000)			
Not yet due	752,693	–	2,282,189	–
Past due 1-30 days	1,415,651	–	90,032	–
Past due 31-60 days	52,919	–	497,276	–
Past due 61-90 days	–	–	–	–
Over 90 days	1,758	1,758	1,758	1,758
	2,223,021	1,758	2,871,255	1,758

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

39.5 Liquidity risk

Liquidity risk is the risk that the Group companies will not be able to meet their financial obligations as they fall due. The Group companies approach to managing liquidity is to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group company's reputation. The Group companies use different methods which assists them in monitoring cash flow requirements and optimising their cash return on investments. Typically the Group companies ensure that they have sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group companies maintain lines of credit as mentioned in note 13 to the financial statements.

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

2014	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years	Five year onwards
				(Rupees '000)			
Long term borrowings	14,556,203	21,190,002	3,626,675	1,065,226	3,863,977	12,634,124	–
Trade and other payables	29,374,814	29,374,814	29,374,814	–	–	–	–
Short term borrowings							
including mark-up	11,625,465	12,348,214	10,228,404	2,119,810	–	–	–
	55,556,482	62,913,030	43,229,893	3,185,036	3,863,977	12,634,124	–

2013	Carrying amount	Contractual cash flow	Six months or less	Six to twelve months	One to two years	Two to five years	Five year onwards
				(Rupees '000)			
Long term borrowings	18,245,798	35,444,788	4,649,862	1,045,412	4,466,615	16,998,084	8,284,815
Trade and other payables	20,074,468	20,074,468	20,074,468	–	–	–	–
Short term borrowings							
including mark-up	15,234,905	15,234,905	15,234,905	–	–	–	–
	53,555,171	70,754,161	39,959,235	1,045,412	4,466,615	16,998,084	8,284,815

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

39.5.1 The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark-up rates. The mark-up rates have been disclosed in notes 8 and 13 to these consolidated financial statements.

39.6 Market risk

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

39.6.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exists due to transactions in foreign currency.

Exposure to Currency Risk

The Group companies are exposed to currency risk on creditors, bank balance and investment in term deposit receipts which are denominated in currency other than the functional currency of the Group companies. The Group companies exposure to foreign currency risk is as follows:

	2014		2013	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balance	2,919	29	2,806	27
Investments (Term deposit receipts)	1,309,818	13,046	1,335,731	12,748

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The following significant exchange rate applied during the year:

	Average rate		Balance sheet date rate	
	2014	2013	2014	2013
US Dollars	100.19	100.71	100.40	104.78

Sensitivity analysis

A 10% strengthening of the functional currency against USD at December 31 would have decreased profit and loss by Rs 88,017 thousand (2013: Rs 139,799 thousand). A 10% weakening of the functional currency against USD at December 31 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

39.6.2 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 and long term borrowings, long term investments, loans and advances and short term deposits with banks. At the balance sheet date the interest rate risk profile of the Group company's interest bearing financial instruments is:

	Carrying Amount	
	2014	2013
	(Rupees '000)	
Fixed rate instruments		
Financial assets	36,050,888	21,675,610
Financial liabilities	–	7,350,000
Variable rate instruments		
Financial assets	99,500	2,237,404
Financial liabilities	26,065,777	22,655,607

Fair value sensitivity analysis for fixed rate instruments

The Group companies do not hold any fixed rate financial asset or liability at fair value through profit and loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2014		
Cash flow sensitivity - Variable rate instruments	(174,620)	174,620
December 31, 2013		
Cash flow sensitivity - Variable rate instruments	(50,730)	50,730

Sensitivity analysis – price risk

For quoted investments classified as available for sale, a 1 percent increase in market price at reporting date would have increased equity by Rs 48,761 thousand after tax (2013: Rs 1,026 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as at fair value through profit or loss, the impact on profit or loss would have been an increase or decrease by Rs 4,459 thousand after tax (2013: Rs 1,012 thousand). The analysis is performed on the same basis for 2013 and assumes that all other variables remain the same.

39.7 Fair values

Fair value versus carrying amounts

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

		December 31, 2014		December 31, 2013	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		(Rupees '000)			
Assets carried at amortised cost					
Trade debts - net of provision	22	2,221,263	2,221,263	2,871,255	2,871,255
Loans and advances	18 and 23	1,192,551	1,192,551	1,531,903	1,531,903
Deposits	19 and 24	16,392	16,392	94,686	94,686
Other receivables	25	636,904	636,904	477,273	477,273
Short term investments	26	26,709,818	26,709,818	19,955,731	19,955,731
Cash and bank balances	27	2,050,602	2,050,602	4,193,929	4,193,929
		32,827,530	32,827,530	29,124,777	29,124,777
Assets carried at fair value					
Long term investments	17	7,334,005	7,334,005	218,606	218,606
Short term investments	26	723,019	723,019	4,327,700	4,327,700
		8,057,024	8,057,024	4,546,306	4,546,306
Liabilities carried at amortised cost					
Long term borrowings	8	14,553,310	14,553,310	18,245,234	18,245,234
Trade and other payables	10	29,374,814	29,374,814	20,074,468	20,074,468
Liability against assets subject to finance lease		3,131	3,131	1,413	1,413
Short term borrowings	13	11,625,227	11,625,227	15,233,912	15,233,912
		55,556,482	55,556,482	53,555,027	53,555,027

The basis for determining fair values is as follows:

Interest rates used for determining fair value

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

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Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3
		(Rupees '000)	
December 31, 2014			
Assets carried at fair value			
Available for sale investments	99,500	7,292,066	–
Investments at fair value through profit or loss	665,458	–	–
	764,958	7,292,066	–
December 31, 2013			
Assets carried at fair value			
Available for sale investments	96,000	–	–
Investments at fair value through profit or loss	4,272,570	177,736	–
	4,368,570	177,736	–

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

39.8 Determination of fair values

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

Investment at fair value through profit and loss

The fair value of investment at fair value through profit and loss is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

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

Investment in associate and subsidiary

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

Non - derivative financial assets

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

Non - derivative financial liabilities

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

39.9 Capital management

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

40. OPERATING SEGMENT RESULTS

	Fertilizer		Power generation		Food		Banking operations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees '000)		(Rupees '000)		(Rupees '000)		(Rupees '000)		(Rupees '000)	
Sales	81,251,463	74,500,590	2,762,536	1,476,843	–	–	–	–	84,013,999	75,977,433
Cost of sales	50,136,748	39,948,572	741,490	468,598	–	–	–	–	50,878,238	40,417,170
Gross profit	31,114,715	34,552,018	2,021,046	1,008,245	–	–	–	–	33,135,761	35,560,263
Administrative and distribution expenses	6,431,042	6,160,540	32,588	49,314	153,410	27,701	–	–	6,617,040	6,237,555
Finance cost / (income)	848,940	756,215	1,300,232	802,485	90	(185,275)	–	–	2,149,262	1,373,425
Other expenses	2,303,562	2,557,862	–	–	–	–	–	–	2,303,562	2,557,862
Other income	1,849,543	1,854,595	53,793	35,289	10,286	2,099	–	–	1,913,622	1,891,983
Share in profit / (loss) of equity										
accounted investments	1,476,057	(8,781)	–	–	–	–	–	–	1,476,057	(8,781)
Net profit / (loss) before taxation	24,856,771	26,923,215	742,019	191,735	(143,214)	159,673	–	–	25,455,576	27,274,623
Provision for taxation	8,070,001	9,247,990	6,880	–	–	–	–	–	8,076,881	9,247,990
Net profit / (loss) after taxation	16,786,770	17,675,225	735,139	191,735	(143,214)	159,673	–	–	17,378,695	18,026,633
Discontinued operations										
Operating profit from discontinued										
operations – note 35	15,318,317	5,634,511	–	–	–	–	1,941,427	–	17,259,744	5,634,511
Profit for the year	32,105,087	23,309,736	735,139	191,735	(143,214)	159,673	1,941,427	–	34,638,439	23,661,144
Material non–cash items	12,185,361	(455,552)	(37,634)	(733)	–	5,388	1,397,659	–	13,545,386	(450,897)
Depreciation and amortisation	2,897,168	3,045,553	612,231	403,178	4,161	655	–	–	3,513,560	3,449,386
Capital expenditure	4,696,398	3,229,801	617	784,165	861,860	7,716	–	–	5,558,875	4,021,682
Segment assets										
Property, plant and equipment	20,093,898	31,503,697	11,160,749	11,889,327	1,849,973	921,856	–	–	33,104,620	44,314,880
Stores, spares and loose tools	3,314,823	5,352,138	–	–	–	–	–	–	3,314,823	5,352,138
Stock in trade	981,750	1,431,214	–	–	3,597	–	–	–	985,347	1,431,214
Trade debts	822,460	2,304,184	1,394,381	567,071	4,422	–	–	–	2,221,263	2,871,255
Cash and bank balances	1,173,767	3,839,184	816,832	182,862	60,003	171,883	–	–	2,050,602	4,193,929
Total segment assets	26,386,698	44,430,417	13,371,962	12,639,260	1,917,995	1,093,739	–	–	41,676,655	58,163,416
Segment liabilities										
Long term borrowings	4,280,000	8,332,801	8,963,275	9,280,480	1,216,928	590,097	–	–	14,460,203	18,203,378
Trade and other payables	37,904,434	29,602,246	578,636	749,242	42,999	115,008	–	–	38,526,069	30,466,496
Short term borrowings	11,602,443	14,985,128	–	–	–	–	–	–	11,602,443	14,985,128
Total segment liabilities	53,786,877	52,920,175	9,541,911	10,029,722	1,259,927	705,105	–	–	64,588,715	63,655,002

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2014

		2014	2013
		(Rupees '000)	
40.1	**Reconciliations of reportable segment assets and liabilities**		
	Assets		
	Total assets for reportable segments	41,676,655	58,163,416
	Intangible assets	1,974,531	2,014,919
	Long term investments	41,787,131	23,478,872
	Long term loans and advances	823,188	740,408
	Long term deposits and prepayments	17,804	83,055
	Short term loans and advances	531,379	1,500,047
	Short term deposits and prepayments	27,589	74,255
	Other receivables	1,182,227	1,056,198
	Short term investments	27,432,837	24,283,431
	Total assets	115,453,341	111,394,601
	Liabilities		
	Total liabilities for reportable segments	64,588,715	63,655,002
	Deferred liabilities	4,574,028	7,538,766
	Liability against assets subject to finance lease	3,131	1,413
	Interest and mark-up accrued	115,891	290,784
	Taxation - net	2,501,510	4,710,797
	Total liabilities	71,783,275	76,196,762

40.2 Inter - segment pricing

There were no significant transactions among the business segments during the reported year.

40.3 There were no major customers of the Group which formed part of 10 per cent or more of the Group's revenue.

41. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2013: 44.35%) shares of the Company at the year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence, entities under common directorship and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 18, 23 and 36 to the consolidated financial statements respectively.

	2014	2013
	(Rupees '000)	
Transactions with associated undertakings / companies due to common directorship		
Long term investment	285,269	961,210
Sale of fertilizer	2,162	4,825
Services provided	-	1,331
Dividend paid	8,508,840	10,032,792
Purchase of gas as feed and fuel stock	30,476,475	23,915,067
Expenses charged on account of marketing of fertilizer	326,791	-
Commission on sale of products	7,281	-
Donations	95,371	445,558
Payment under consignment account	25,125,468	-
Services received	371,989	358,494
Balance payable	26,119,281	9,262,274
Balance receivable	3,275,428	8,726
Transactions with joint venture company		
Raw material purchased	17,325,157	23,168,097
Expenses incurred on behalf of joint venture company	13,142	14,933
Balance payable	-	3,370,005
Balance receivable	8,353	19,989
Other related parties		
Payments to:		
Employees' Provident Fund Trust	363,367	337,196
Employees' Gratuity Fund Trust	639,734	134,525
Employees' Pension Fund Trust	94,067	47,191
Others:		
Balance receivable / (payable) to Employee's Fund Trusts	28,090	(609,936)
Balance receivable from Employee's Fund Trusts	59,019	9,759

42. POST BALANCE SHEET EVENT

The Board of Directors of FFC in its meeting held on January 30, 2015 has proposed a final dividend of Rs 3.50 per share.

Notes to and forming part of the Consolidated Financial Statements
for the year ended December 31, 2014

		2014	2013
		(Tonnes '000)	
43.	GENERAL		
43.1	**Production capacity**		
	Design capacity		
	Urea	2,048	2,599
	DAP	–	650
	Production		
	Urea	2,403	2,633
	DAP	–	744

43.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 100,000 thousand and Rs 11,230,000 thousand (2013: Rs 216,000 thousand and Rs 7,930,000 thousand) respectively are available to the Company against lien on shipping / title documents and charge on assets of the Company alongwith corporate guarantee of the Company in a particular case.

43.3 Donations

Cost of Sales and Distribution Cost includes donations amounting to Rs 137,992 thousand (2013: Rs 145,208 thousand) and Rs 50,026 thousand (2013: Rs 189,175 thousand) respectively. These include Rs 95,371 thousand (2013: Rs 90,558 thousand), paid to Sona Welfare Foundation, Sona Tower, 156 - The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Naeem Khalid Lodhi, HI (M) (Retd) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

Further, an amount of Rs Nil (2013: Rs 355,000 thousand) was donated for the projects of Fauji Foundation, Fauji Towers Tipu Road Rawalpindi (associated undertaking). Directors' interest in the projects of Fauji Foundation is limited to the extent of their involvement in Fauji Foundation as management personnel:

2014	2013
Lt Gen Khalid Nawaz Khan, HI (M) (Retd)	Lt Gen Muhammad Mustafa Khan, HI (M) (Retd)
Mr. Qaiser Javed	Mr. Qaiser Javed
Dr. Nadeem Inayat	Dr. Nadeem Inayat
Maj Gen Ghulam Haider, HI (M) (Retd)	Maj Gen Zahid Parvez, HI (M) (Retd)
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retd)	Brig Agha Ali Hassan, SI (M) (Retd)
Brig Dr. Gulfam Alam, SI (M) (Retd)	Brig Dr. Gulfam Alam, SI (M) (Retd)

		2014	2013
43.4	**Number of employees**		
	Total number of employees at end of the year	2,412	2,392
	Average number of employees for the year	2,402	2,369

43.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

43.6 Date of authorisation

These consolidated Financial Statements have been authorised for issue by the Board of Directors of FFC on January 30, 2015.

Chairman | Chief Executive | Director

Pattern of Shareholding

as at December 31, 2014

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1356	1	100	73254	0.0058
2369	101	500	796468	0.0626
1766	501	1000	1527380	0.1201
4650	1001	5000	12556657	0.9870
1548	5001	10000	11768581	0.9250
730	10001	15000	9215830	0.7244
490	15001	20000	8789882	0.6909
301	20001	25000	6904570	0.5427
282	25001	30000	7852414	0.6172
173	30001	35000	5677956	0.4463
147	35001	40000	5590596	0.4394
111	40001	45000	4752269	0.3735
151	45001	50000	7354193	0.5781
103	50001	55000	5416876	0.4258
75	55001	60000	4362780	0.3429
53	60001	65000	3301695	0.2595
49	65001	70000	3322193	0.2611
62	70001	75000	4566156	0.3589
30	75001	80000	2343599	0.1842
25	80001	85000	2067179	0.1625
40	85001	90000	3525552	0.2771
29	90001	95000	2693494	0.2117
76	95001	100000	7540256	0.5927
31	100001	105000	3167391	0.2490
14	105001	110000	1515483	0.1191
15	110001	115000	1686157	0.1325
14	115001	120000	1656729	0.1302
19	120001	125000	2329564	0.1831
19	125001	130000	2440818	0.1919
15	130001	135000	1996238	0.1569
8	135001	140000	1115005	0.0876
9	140001	145000	1290979	0.1015
15	145001	150000	2229647	0.1753
14	150001	155000	2133126	0.1677
15	155001	160000	2368074	0.1861
14	160001	165000	2281671	0.1793
7	165001	170000	1171436	0.0921
8	170001	175000	1381352	0.1086
6	175001	180000	1062815	0.0835
3	180001	185000	552716	0.0434

Pattern of Shareholding
as at December 31, 2014

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
5	185001	190000	939191	0.0738
3	190001	195000	578408	0.0455
24	195001	200000	4773890	0.3752
5	200001	205000	1009042	0.0793
2	205001	210000	418000	0.0329
7	210001	215000	1487715	0.1169
2	215001	220000	436764	0.0343
8	220001	225000	1782814	0.1401
8	225001	230000	1818036	0.1429
5	230001	235000	1157360	0.0910
4	235001	240000	954371	0.0750
3	240001	245000	727250	0.0572
12	245001	250000	2987333	0.2348
1	250001	255000	250170	0.0197
7	255001	260000	1803757	0.1418
9	260001	265000	2367890	0.1861
2	265001	270000	538885	0.0424
2	270001	275000	549617	0.0432
1	275001	280000	275600	0.0217
3	280001	285000	849654	0.0668
3	285001	290000	861377	0.0677
1	290001	295000	290380	0.0228
17	295001	300000	5095097	0.4005
9	300001	305000	2739885	0.2154
3	305001	310000	928120	0.0730
2	320001	325000	646508	0.0508
2	325001	330000	655974	0.0516
2	335001	340000	675215	0.0531
1	340001	345000	342445	0.0269
4	345001	350000	1397191	0.1098
1	350001	355000	354961	0.0279
4	355001	360000	1431009	0.1125
2	365001	370000	740000	0.0582
3	370001	375000	1123198	0.0883
3	375001	380000	1133664	0.0891
4	385001	390000	1555800	0.1223
1	390001	395000	391500	0.0308
3	395001	400000	1200000	0.0943
2	405001	410000	811049	0.0638
1	410001	415000	411600	0.0324

Pattern of Shareholding
as at December 31, 2014

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	435001	440000	437427	0.0344
1	440001	445000	442124	0.0348
2	445001	450000	896397	0.0705
1	450001	455000	451212	0.0355
2	465001	470000	937700	0.0737
2	470001	475000	948250	0.0745
1	475001	480000	476750	0.0375
1	480001	485000	480724	0.0378
1	485001	490000	490000	0.0385
4	490001	495000	1972266	0.1550
3	495001	500000	1498233	0.1178
1	500001	505000	503500	0.0396
1	515001	520000	516848	0.0406
1	530001	535000	531858	0.0418
1	535001	540000	539500	0.0424
1	540001	545000	544593	0.0428
3	545001	550000	1650000	0.1297
2	555001	560000	1115500	0.0877
1	560001	565000	562600	0.0442
1	570001	575000	572745	0.0450
1	590001	595000	590500	0.0464
3	595001	600000	1798130	0.1413
2	620001	625000	1241312	0.0976
1	625001	630000	626450	0.0492
1	635001	640000	640000	0.0503
1	645001	650000	649500	0.0511
2	650001	655000	1307200	0.1027
3	655001	660000	1972738	0.1551
1	665001	670000	670000	0.0527
2	670001	675000	1344192	0.1057
1	675001	680000	678852	0.0534
3	680001	685000	2045618	0.1608
2	695001	700000	1400000	0.1100
1	700001	705000	702700	0.0552
1	705001	710000	708300	0.0557
3	710001	715000	2139011	0.1681
3	725001	730000	2183738	0.1716
1	730001	735000	733704	0.0577
1	745001	750000	750000	0.0590
1	750001	755000	750010	0.0590

Pattern of Shareholding
as at December 31, 2014

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	760001	765000	762717	0.0600
1	765001	770000	770000	0.0605
1	790001	795000	790584	0.0621
4	795001	800000	3200000	0.2515
1	815001	820000	817327	0.0642
1	820001	825000	822385	0.0646
2	825001	830000	1650864	0.1298
1	875001	880000	879700	0.0691
2	900001	905000	1807235	0.1421
2	915001	920000	1836357	0.1443
1	925001	930000	928378	0.0730
1	935001	940000	937442	0.0737
1	940001	945000	943700	0.0742
1	960001	965000	963928	0.0758
1	985001	990000	987500	0.0776
2	990001	995000	1981625	0.1558
4	995001	1000000	4000000	0.3144
1	1005001	1010000	1007250	0.0792
1	1015001	1020000	1019337	0.0801
1	1020001	1025000	1020730	0.0802
1	1055001	1060000	1059599	0.0833
1	1085001	1090000	1088796	0.0856
1	1110001	1115000	1111039	0.0873
1	1115001	1120000	1118079	0.0879
1	1120001	1125000	1124985	0.0884
1	1125001	1130000	1125068	0.0884
2	1155001	1160000	2317062	0.1821
1	1160001	1165000	1161000	0.0913
1	1185001	1190000	1187000	0.0933
1	1210001	1215000	1214414	0.0955
2	1270001	1275000	2542101	0.1998
1	1295001	1300000	1300000	0.1022
2	1305001	1310000	2613923	0.2055
1	1330001	1335000	1332500	0.1047
1	1355001	1360000	1360000	0.1069
1	1400001	1405000	1403790	0.1103
1	1425001	1430000	1426700	0.1121
1	1445001	1450000	1449630	0.1139
1	1460001	1465000	1464010	0.1151
1	1465001	1470000	1467174	0.1153

Pattern of Shareholding
as at December 31, 2014

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1	1515001	1520000	1519407	0.1194
1	1550001	1555000	1551849	0.1220
2	1555001	1560000	3114500	0.2448
1	1660001	1665000	1661643	0.1306
1	1690001	1695000	1692500	0.1330
1	1765001	1770000	1768610	0.1390
1	1795001	1800000	1800000	0.1415
1	1845001	1850000	1846022	0.1451
3	1995001	2000000	5995200	0.4712
3	2000001	2005000	6008948	0.4723
1	2020001	2025000	2025000	0.1592
1	2045001	2050000	2050000	0.1611
1	2085001	2090000	2089142	0.1642
1	2130001	2135000	2130958	0.1675
1	2190001	2195000	2192300	0.1723
2	2195001	2200000	4400000	0.3458
1	2255001	2260000	2255859	0.1773
1	2275001	2280000	2278559	0.1791
1	2325001	2330000	2325509	0.1828
1	2450001	2455000	2451800	0.1927
1	2615001	2620000	2618887	0.2058
1	2745001	2750000	2750000	0.2162
1	2945001	2950000	2948041	0.2317
1	3070001	3075000	3071279	0.2414
1	3105001	3110000	3107900	0.2443
1	3220001	3225000	3224800	0.2535
1	3310001	3315000	3313959	0.2605
1	3950001	3955000	3951518	0.3106
1	4190001	4195000	4191700	0.3295
1	4255001	4260000	4255750	0.3345
1	4340001	4345000	4343250	0.3414
1	4465001	4470000	4466749	0.3511
1	4755001	4760000	4757400	0.3739
1	5040001	5045000	5040099	0.3962
1	5140001	5145000	5140515	0.4041
1	6660001	6665000	6664140	0.5238
1	7245001	7250000	7248863	0.5698
1	7380001	7385000	7382700	0.5803
1	8725001	8730000	8726512	0.6859
1	8945001	8950000	8945913	0.7032

Pattern of Shareholding
as at December 31, 2014

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	9670001	9675000	9670522	0.7601
1	10235001	10240000	10238800	0.8048
1	10810001	10815000	10810949	0.8498
1	11580001	11585000	11584300	0.9105
1	14390001	14395000	14391903	1.1312
1	15480001	15485000	15481600	1.2169
1	20895001	20900000	20900000	1.6428
1	27525001	27530000	27528886	2.1638
1	28730001	28735000	28732655	2.2584
1	116020001	116025000	116022735	9.1196
1	129515001	129520000	129516412	10.1802
1	434685001	434690000	434687842	34.1672
15199	Company Total		1272238247	100.00

Pattern of Shareholding
as at December 31, 2014

Serial No.	Categories of Shareholders	No of Shareholders	No of Shares held	Percentage %
1	NIT & ICP	2	28,732,905	2.26
2	Bank, DFI & NBFI	30	75,700,527	5.95
3	Insurance Companies	21	138,599,259	10.89
4	Modarabas & Mutuals Funds	55	13,544,770	1.07
5	Foreign Investors	90	122,064,436	9.59
6	Chariatable Trust & Others	195	602,975,745	47.39
7	Others	192	22,059,400	1.74
8	Individuals	14614	268,561,205	21.11
	Total Shares	15199	1,272,238,247	100.00

	No of Shares
NIT & ICP	
National Investment Trust	28,732,655
Investment Corporation of Pakistan	250
Executives	996,513
Directors	800,000
Public Sector Companies and Corporations	13,986,012
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Mutual Funds	227,844,556
Shareholders Holding Five percent or more voting interest	
Fauji Foundation	564,204,254
State Life Insurance Corporation of Pakistan	116,022,735

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 17, 2015
1st Quarter ending March 31, 2015	Last Week of April, 2015
2nd Quarter ending June 30, 2015	Last Week of July, 2015
3rd Quarter ending September 30, 2015	Last Week of October, 2015
Year ending December 31, 2015	Last Week of January, 2016

Definitions & Glossary of Terms

Definitions

Profitability Ratios

Profitability Ratios are used to assess the Company's ability to generate profits in relation to its sales, assets and equity.

Liquidity Ratios

Liquidity ratios determine the Company's ability to meet its short-term financial obligations. A higher ratio indicates a greater margin of safety to cover current liabilities.

Activity/Turnover Ratios

Activity/Turnover ratios evaluate the operational efficiency of the Company to convert inventory & receivables into cash against time taken to pay creditors, measured in terms of revenue and cost of sales.

Investment/Market Ratios

Investment ratios measure the capability of the Company to earn an adequate return for its shareholders.

Market Ratios evaluate the current market price of a share versus an indicator of the company's ability to generate profits.

Capital Structure Ratios

Capital Structure ratios provide an indication of the long term solvency of the Company and its cost of debt, in relation to equity and profits.

Glossary of terms

AGM	Annual General Meeting
AKBL	Askari Bank Limited
BCP	Business Continuity Planning
BI&T	Banking, Industries and Trading
BoD	Board of Directors
BTU	British Thermal Unit
CBA	Collective Bargaining Agent
CCP	Competition Commission of Pakistan
CE & MD	Chief Executive & Managing Director
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CILT	Chartered Institute of Logistics and Transportation
CPIs	Critical Performance Indicators
CSR	Corporate Social Responsibility
CTO	Chief Technical Officer
CCO	Chief Coordinating Officer
DAP	Di Ammonium Phosphate
DPS	Dividend Per Share
DR	Disaster Recovery
EBITDA	Earnings Before Interest, Tax, Depreciation, and Amortization
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
FAC	Farm Advisory Centre
FCCL	Fauji Cement Company Limited
FDI	Foreign Direct Investments
FFBL	Fauji Fertilizer Bin Qasim Limited
FFC	Fauji Fertilizer Company
FFCEL	FFC Energy Limited
FFF	Fauji Fresh n Freeze
FOB	Free on Board
GDP	Gross Domestic Product
GGM-MKT	Group General Manager - Marketing
GM-HR	General Manager - Human Resource
GM-IS	General Manager - Information Systems
GHQ	General Head Quarter
GIDC	Gas Infrastructure Development Cess
GOP	Government of Pakistan
GRI	Global Reporting Initiative
GST	General Sales Tax
GWh	Gigawatt hour
HBL	Habib Bank Limited
HI(M)	Hilal-e-Imtiaz (Military)
ICAP	Institute of Chartered Accountants Pakistan
ICMAP	Institute of Chartered Management Accountants Pakistan

IFA	International Fertilizer Association
IMF	International Monetary Fund
IMS	Integrated Management System
INSEAD	Institute European d'Administration des Affaires (European Institute of Business Administration)
IQF	Individually Quick Freeze
ISC2	Information Security Certification Consortium
ISLA	Information Security Leadership
ISO	International Organization for Standardization
IT	Information Technology
KIBOR	Karachi Inter Bank Offer Rate
KSE	Karachi Stock Exchange
KT	Thousand Tonnes
KW	Kilo Watt
LUMS	Lahore University of Management Sciences
M-CC	Manager - Corporate Communication
M-LLA	Manager - Legal and Labour Affairs
MAP	Management Association of Pakistan
MMBTU	Million British Thermal Units
MMSCF	Million Standard Cubic Feet
MOIPI	Maintenance of Central Peace Incentives
MWs	Mega Watts
NFDC	National Fertilizer Development Centre
NFEH	National Forum of Environment and Health
NIT	National Investment Trust Limited
NPO	National Productivity Corporation
NTDC	National Transmission & Dispatch Company
NUST	National University of Sciences and Technology
OHS	Occupational Health & Safety
OHSAS	Occupational Health & Safety Advisory Services
PASDAC	Pakistan Stone Development Company
PICG	Pakistan Institute of Corporate Governance
PIDC	Pakistan Industrial Development Centre
PIDE	Pakistan Institute of Development Economics
PITAC	Pakistan Industrial Technical Assistance Centre
PMP	Pakistan Maroc Phosphore
R&D	Research & Development
RCCI	Rawalpindi Chamber of Commerce & Industry
Retd	Retired
ROE	Return On Equity
SAFA	South Asian Federation of Accountants
SAP	Systems, Applications and Products
SECP	Securities and Exchange Commission of Pakistan
SI(M)	Sitara-e-Imtiaz (Military)
SM-A	Senior Manager - Administration
SM-CW	Senior Manager - Civil Works
SM-CO	Senior Manager - Coordination
SM-P	Senior Manager - Procurement
SM-CSR	Senior Manager - Corporate Social Responsibility
SM-E	Senior Manager - Engineering
SOP	Sulfate of Potash
SWF	Sona Welfare Foundation
SWOT	Strength, Weakness, Opportunity, Threat
TUESDEC	Technology Up-gradation and Skill Development Company
USC	Utility Stores Corporation
WWF	Workers' Welfare Fund / World Wide Fund for Nature

Form of Proxy
37th Annual General Meeting

I/We ____

of ____

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

Ordinary Shares hereby appoint Mr / Mrs / Miss ______________________

of ______________ or failing him / her ______________________

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

at the 37th Annual General Meeting of the Company to be held on Tuesday March 17, 2015 and / or any adjournment thereof.

As witness my/our hand/seal this ________ day of ________ March 2015.

Signed by ____

in the presence of ____

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five Rupees
Revenue Stamp

The Signature should
agree with the
specimen registered
with the Company

IMPORTANT:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 156 - The Mall, Rawalpindi not less than 48 hours before the time of holding the meeting.

2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

3. For CDC Account Holders/Corporate Entities

   In addition to the above the following requirements have to be met.

   (i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

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

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

AFFIX
CORRECT
POSTAGE

Company Secretary
FAUJI FERTILIZER COMPANY LIMITED
156 - The Mall, Rawalpindi Cantt
Website: www.ffc.com.pk
Tel No. 92-51-111-332-111, 8450001

www.ffc.com.pk

FFC **FAUJI FERTILIZER COMPANY LIMITED**

Head Office : 156 - The Mall, Rawalpindi Cantt, Pakistan. UAN 92 - 51 - 111 332 111