Annual Report for the year ended December 31, 2015

STAYING TRUE TO OUR ROOTS

FAUJI FERTILIZER COMPANY LIMITED

COVER STORY

Running across a sea of golden mustard fields, a young boy breathes in the fresh air, closes his eyes and stops to take in the moment – a blissful instant of pure joy and gratitude. To him, this moment defines the glorious memories of the past year, which seem to come pouring in as he now smells the sweet scent of the blooming flowers nearby.

At FFC, we work hard to make such moments possible for all of the farming families across Pakistan. Our greatest aim is to generate lasting value by staying true to our roots – our fundamental beliefs of honesty, excellence, consistency, fairness and compassion.

SAY NO TO CORRUPTION

CONTENTS

2015 IN NUMBERS

SONA UREA PRODUCTION	TONNES '000	2,469
SONA UREA SALES	"	2,408
REVENUE	RS. MILLION	84,831
PROFIT AFTER TAX	"	16,766
BASIC EARNINGS PER SHARE	RS.	13.18
DIVIDEND PER SHARE	"	11.86
DIVIDEND PAYMENT	%	90
RETURN ON EQUITY	"	61.39
SHAREHOLDERS EQUITY	RS. MILLION	27,311
GEARING RATIO	%	36.79
NET ASSETS PER SHARE	RS.	21.47
CURRENT RATIO	TIMES	0.84
ASSET TURNOVER	"	1.06
MARKET CAPITALIZATION	RS. MILLION	150,099
MARKET VALUE PER SHARE (YEAR END)	RS.	117.98

COMPANY PROFILE AND GROUP STRUCTURE

Fauji Fertilizer Company Limited (FFC) is Pakistan's largest urea manufacturing Company, incorporated in 1978 with its first urea plant commissioning in 1982 having an annual capacity of 570 thousand tonnes. Through consistent expansion and upgradation, the Company today operates three world scale urea plants with an aggregate capacity of over 2 million tonnes per annum. Fauji Foundation, a charitable trust incorporated under The Charitable Endowments Act, 1890, holds 44.35% equity in FFC making the Company part of the Fauji Group which is one of Pakistan's largest conglomerates with interests in fertilizer, power, cement, oil & gas exploration and distribution, foods, oil and grain terminal operations and financial services.

The Company holds 49.88% stake in Fauji Fertilizer Bin Qasim Limited (FFBL), which is the Country's only granular urea and DAP manufacturing complex located at Port Qasim, Karachi. Fertilizer produced by FFBL is also marketed by FFC's Marketing Group which operates the Country's largest fertilizer marketing network selling an aggregate of around 3.4 million tonnes of fertilizer per annum for both companies under the brand name 'Sona' meaning gold thus signifying the value of our product to the farming community of the Country. FFC, combined with FFBL, commands a market share of 48% in urea and 50% in DAP.

The Company holds 6.79% equity in Fauji Cement Company Limited (FCCL) and a 12.5% stake in Pakistan Maroc Phosphore S.A., Morocco (PMP) which is also a raw material provider for FFBL's DAP production. FFC has also setup a 100% owned wind power project, FFC Energy Limited (FFCEL), which operates Pakistan's first wind farm having a capacity of 49.5 MW.

As part of its diversification strategy, the Company ventured into the financial sector in 2013 and acquired 43.15% shares of Askari Bank Limited (AKBL) with a total investment of Rs. 10.46 billion. The same year, FFC acquired 100% shares of Al-Hamd Foods Limited, now called Fauji Fresh n Freeze Limited (FFF), which operates the Country's first commercial scale Individually Quick Freeze (IQF) processing plant for fruits & vegetables.

FFC has consistently been placed in the Karachi Stock Exchange Top 25 Companies for over 20 years. Globally, FFC is a well-recognized member of the International Fertilizer Industry Association (IFA), Arab Fertilizer Association (AFA), and the United Nations Global Compact (UNGC), USA, besides having secured various local and international recognitions for transparency, accountability and good governance.

FAUJI FERTILIZER COMPANY LIMITED

- **Subsidiaries**
  - FFC Energy Limited
  - Fauji Fresh n Freeze Limited
- **Associated Companies***
  - Fauji Fertilizer Bin Qasim Limited
  - Askari Bank Limited
  - Fauji Cement Company Limited
  - Pakistan Maroc Phosphore S.A., Morocco

** Associated Companies represent those companies in which FFC has an equity investment of less than 50%.*

THE WAY SO FAR

2015

- Award of setting up of a Fertilizer Project by the Government of Tanzania and execution of a Joint Venture Agreement by FFC, and its international consortium members, with the Tanzania Petroleum Development Corporation (TPDC).
- Inauguration of FFF.

2014

- FFCEL achieved Tariff True-up and completed first year of commercial operations.
- Received first ever dividend of Rs. 544 million from AKBL.

2013

- Acquisition of 100% equity stake in Fauji Fresh n Freeze Limited (FFF), a pioneer Individually Quick Freeze (IQF) fruits and vegetables project.
- Acquisition of 43.15% equity stake in Askari Bank Limited (AKBL) representing the Company's first ever venture into the financial sector.
- Commencement of commercial operations by FFCEL.

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 (FFCEL), Pakistan's first wind power 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 per annum.
- Investment of Rs. 1.5 billion in Fauji Cement Company Limited (FCCL), currently representing 6.79% equity participation.

2004

- With investment in Pakistan Maroc Phosphore S.A., Morocco (PMP) of Rs. 706 million, FFC has an 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

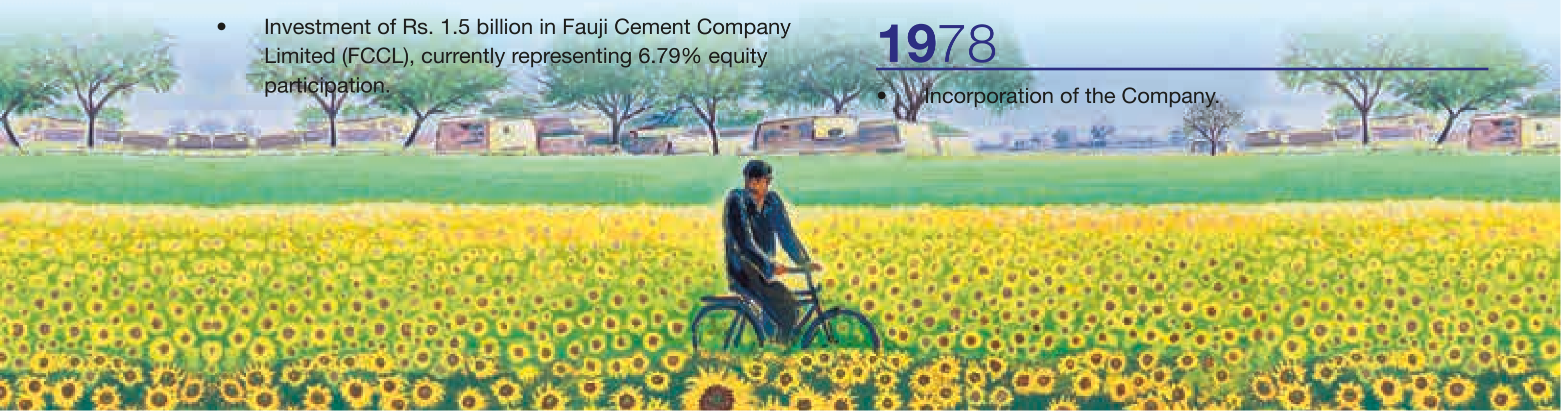
- Listed with Karachi and Lahore Stock Exchanges.

1982

- Commissioning of Plant-I, Goth Macchi with annual capacity of 570 thousand tonnes of urea.

1978

- Incorporation of the Company.



2015 HIGHLIGHTS

MARCH

Inauguration of FFF

APRIL

170th BOD
39.4% dividend declared

JULY

171st BOD
17.5% dividend declared

AUGUST

Record annual dividend from AKBL – Rs. 1.09 billion

Record annual dividend from FCCL – Rs. 0.23 billion

SEPTEMBER

JV Agreement signed for Tanzania Project

ICAP / ICMAP Best Corporate Report Award 2014

RCCI Award

OCTOBER

172nd BOD
27.5% dividend declared

NOVEMBER

ISO 9001 (Quality), OHSAS 18001 (OH&S) and ISO 14001 (Environment) Recertifications

Annual Report 2014 declared winner in manufacturing sector by SAFA

PCP Award

DECEMBER

Record revenue - Rs. 84.83 billion

Contribution to National Exchequer - Rs. 60 billion

VISION & MISSION
STATEMENTS

VISION

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 endeavour to act according to the highest ethical standards and to be aware of and abide by applicable laws.

- We all must ensure that our personal conduct is above reproach and complies with the highest standards of conduct and business ethics, and have the obligation to ensure that the conduct of those who work around us complies with these standards. The Company's Code of Business Ethics and 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 behaviour 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 favour, 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 products for our customers, maximizing returns to the shareholders and sizable contributions 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:

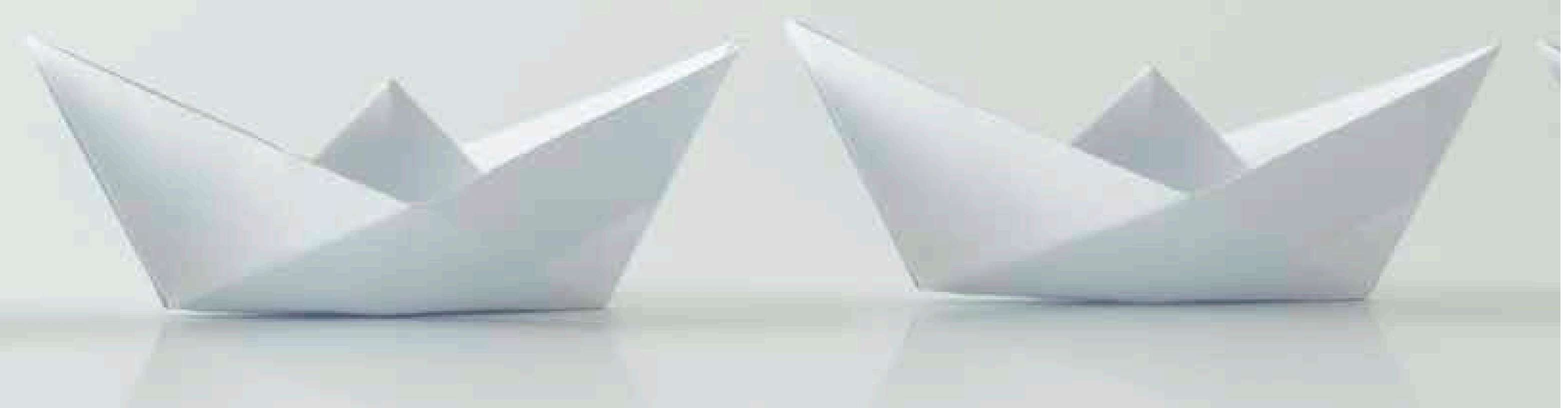
- **HONESTY** in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets.

- **EXCELLENCE** in high-quality products and services to our customers.

- **CONSISTENCY** in our words and deeds.

- **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 (FACs)
Priority	High
Status	Ongoing process – Plans for the year achieved
Opportunities / Threats	Per acre production in Pakistan is lower than that 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 hinderance 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 2015 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 — Enhance 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 — Costs Economization

Strategy	Keeping our resource utilization at an optimum level through strict governance policies
Priority	High
Status	Current year targets achieved
Opportunities / Threats	FFC carried out an Internal Costs Review Process during the year and believes that further optimization of resource allocation can be achieved through effective policies and leveraging the SAP-ERP system implemented in the Company.

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 (FACs)	The management believes in enhancement of Pakistan's per acre yield. The impact of FFC initiatives is analyzed on an annual basis.
2	Maintain industry leadership, operational efficiency & expand sales	Market share and production efficiency ratio	The CPIs shall remain relevant in the future.
3	Diversification	Annual resource allocated for expansion of the projects already acquired in addition to identification and development of new investment projects	
4	Economize on costs – eliminating redundancies	Gross Profit Margin & Net Profit Margin	
5	Shareholders' value	EPS, ROE, Asset Turnover and DPS	
6	Sustainability	Current Ratio, Gearing and Interest Cover	

GEOGRAPHICAL PRESENCE

PAKISTAN	
Rawalpindi / Islamabad	FFC Head Office
	FFF Head Office
	FFCEL Head Office
	FFBL Head Office
	AKBL Head Office
	FCCL Head Office
Lahore	FFC Marketing Office
Sahiwal	FFF Plantsite
Goth Machhi	FFC Urea Plant I & II
Mirpur Mathelo	FFC Urea Plant III
Jhimpir	FFCEL Wind Farm
Karachi	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 Shafqaat Ahmed,
HI (M) (Retired)
Chief Executive and Managing Director

Mr Qaiser Javed
Non-Executive Director

Dr Nadeem Inayat
Non-Executive Director

Engr Rukhsana Zuberi
Independent Director

Mr Farhad Shaikh Mohammad
Independent 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

Maj Gen Mumtaz Ahmad Bajwa,
HI(M) (Retired)
Non-Executive Director

Mr Muhammad Arif Azim
Non-Executive Director

Mr Per Kristian Bakkerud
Non-Executive Director

CHIEF FINANCIAL OFFICER

Mr Mohammad Munir Malik
Tel: +92-51-8456101
Fax: +92-51-8459961
E-mail: munir_malik@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 GROUP

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,
+92-21-34390122

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants
6th Floor, State Life Building,
Jinnah Avenue,
Islamabad, Pakistan
Tel: +92-51-2823558
Fax: +92-51-2822671

SHARES REGISTRAR

Central Depository Company of
Pakistan Limited
Share Registrar Department
CDC House, 99 - B, Block - B
S.M.C.H.S., Main Shahra-e-Faisal
Karachi – 74400
Tel: +92-800-23275
Fax: +92-21-34326053

COST AUDITORS

BDO Ebrahim & Co.
Chartered Accountants
3rd Floor, Saeed Plaza, 22 East,
Blue Area, Jinnah Avenue,
Islamabad, Pakistan
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
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
MCB Bank Limited
MCB Islamic 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 Khyber
The Bank of Punjab
United Bank Limited
Zarai Taraqiati 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 02, 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 Holdings Limited
- Fauji Akbar Portia Marine Terminals 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
- Noon Pakistan Limited

He 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), Islamabad and Command and General Staff College, Fort Leavenworth, USA. He holds Master's Degrees in War Studies, Art and Science of Warfare and General Studies.

In recognition of his meritorious services, he has been awarded Hilal-i-Imtiaz (Military) and 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 Shafqaat Ahmed
HI (M) (Retired)
(Chief Executive & Managing Director)

Joined the Board on March 26, 2015.

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

He is Chairman of Sona Welfare Foundation (SWF) and Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC), Director on the Board of International Fertilizer Industry Association (IFA) and also a member of the Board of Governors of Foundation University, Islamabad.

The General was commissioned in Pakistan Army in October 1975. During his illustrious service of over three decades in the Army, he had been employed on various prestigious command, staff and instructional assignments including command of a Strike Corps.

He is a graduate of Command & Staff College, Quetta, Armed Forces War College (National Defence University), Islamabad, Ecole d'Etat Major Compiegne, France and Ecole Militaire Paris, France and speaks the French language fluently. He also holds a Master's Degree in War Studies and has attended a financial management program at the Chartered Institute of Management Accountants (CIMA), UK in May 2015.

He had the honour of serving as Pakistan's Defence and Military Attaché to USA from 2002 to 2005 with concurrent accreditation to Canada and Argentina. He also served as Military Secretary to the President of Pakistan from 2005 to 2008. During this period, he participated in a number of international forums; notably UN General Assembly Inaugural Session of 2006, NAM Summit in Cuba, OIC Summit in Saudi Arabia, World Economic Forum, Switzerland, and ECO Summit, China. The General has participated in bilateral meetings along with the President of Pakistan with a number of Heads of States.

He has served on the faculty of Command and Staff College, Quetta and National Defence University, Islamabad. Since his retirement from Army, he is part of the honorary faculty of National Defence University as a senior mentor. He also participated in the US-Pakistan Senior Military Leadership Seminar. He has been awarded Hilal-i-Imtiaz (Military) and also conferred upon the award of 'Legion of Merit' by the US Government in promoting bilateral US-Pakistan military relations.

Mr Qaiser Javed
(Non-Executive Director)

Joined the Board on October 15, 1999.

He joined Fauji Foundation in 1976 and is currently working as Director Finance. He has the honour of being member on the Board of Directors of 21 other organizations, holding the following major positions:

- Foundation University - Director Finance
- Daharki 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 Limited - Director
- Fauji Oil Terminal and Distribution Company Limited - Director
- Foundation Power Company Daharki Limited - Director
- Fauji Akbar Portia Marine Terminals Limited - Director
- FFC Energy Limited - Director
- The Hub Power Company Limited - Director
- Laraib Energy Limited - Director
- Askari Bank Limited - Director
- Askari Cement Limited - Director
- Fauji Fresh n Freeze Limited - Director
- Fauji Foods Limited - Director
- Fauji Meat Limited - Director
- FFBL Power Company Limited - Director
- Noon Pakistan 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 Projects 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 at Fauji Foundation, he is on the Board of following entities:

- Foundation University
- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Fauji Akbar Portia Marine Terminals Limited
- Fauji Oil Terminal and Distribution Company Limited
- Mari Petroleum Company Limited
- Askari Cement Limited
- Daharki Power Holdings 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
- FFBL Power Company Limited
- Askari Bank Limited
- Fauji Infraavest Foods Limited
- Noon Pakistan Limited

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

He holds a Doctorate in Economics and has over 28 years of diversified domestic as well as international experience in the financial sector. He has vast experience in corporate governance, policy formulation & 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.

Engr Rukhsana Zuberi
(Independent Director)

Joined the Board on September 16, 2012.

She is the President of TEC Education Foundation and is 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 the Country's youth to showcase their IT skills on a global forum.

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.

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 Farm Products (Pvt.) Limited

His other engagements include:

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

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 Defence 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) and is also a Certified Director by PICG / International Finance Corporation.

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

Joined the Board on June 02, 2014.

He is Director Banking, Industries and Trading (BI&T), Fauji Foundation. He has diverse corporate governance exposure in fertilizer, power, banking, cement and FMCG sectors. He is the CEO of Fauji Infraavest Foods Limited, adviser to Chairman Askari Bank Limited and is in charge of all wholly owned business projects of Fauji Foundation and also holds directorship in the following companies:

- Fauji Fertilizer Bin Qasim Limited
- Fauji Cement Company Limited
- Foundation Power Company Daharki Limited
- Daharki Power Holdings Limited
- Askari Cement Limited

He served on various military command and staff appointments and remained Director General of inventory control & management and procurement receiving the Hilal-i-Imtiaz (Military) for his invaluable services to the Pakistan Army.

He is a graduate of Command & Staff College, Quetta and National Defence University, Islamabad and also holds a Master's 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.

He is member of Audit Committee and Human Resource & Renumeration Committee of FFC.

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.

He is 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 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 of Pakistan Commission for Indus Water.

He was awarded a Doctorate in Civil Engineering (Structures) from University of Illinois at Urbana, USA 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 also holds directorship in the following companies:

- Mari Petroleum Company Limited
- Bank Al Habib Limited

He is presently the Managing Director of National Investment Trust Limited (NIT) where he has also served in different capacities in the Asset Management Division. He participated in the reconstruction of NIT during the crisis period (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 Master's Degree in Business Administration and has attended several courses on securities regulations, securities markets development and portfolio management including a prestigious course conducted by Securities and Exchange Commission, in Washington DC, United States.

PROFILE OF THE BOARD

Ms Nargis Ghaloo
(Independent Director)

Joined the Board on November 05, 2014.

She also holds directorship of the following companies:

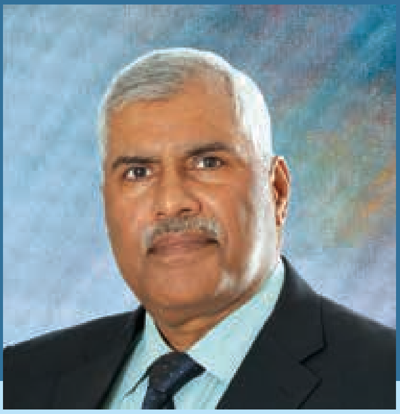
- Sui Southern Gas Company Limited
- Orix Leasing Pakistan Limited
- International Industries Limited
- Sui Northern Gas Pipeline Limited

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 in Singapore.

She holds a Master's Degree in English from University of Sindh and joined civil service in 1982. She has also attained Certificate in Company Direction from Institute of Directors, U.K.



Maj Gen Mumtaz Ahmad Bajwa
HI (M) (Retired)
(Non-Executive Director)

Joined the Board on February 01, 2015.

He is presently working as Director Welfare (Health), Fauji Foundation and is also on the Board of the following entities:

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

He was commissioned in the Pakistan Army in April 1977 and is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad. He also holds a Master's Degree in War Studies from Quaid-e-Azam University and is qualified in Trans-National Security matters from Hawaii, USA.

He held various General Staff appointments at Headquarter Infantry Brigade, Headquarters Infantry Division, Corps Headquarter and Military Operations Directorate. He also served as Director General in Inter-Services Intelligence Secretariat and remained on the faculty of War College, National Defence University Islamabad.

In recognition of his outstanding services to the Pakistan Army, he was awarded the Hilal-i-Imtiaz (Military).

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

Mr Muhammad Arif Azim
(Non-Executive Director)

Joined the Board on May 12, 2015.

He is presently serving as Secretary, Ministry of Industries and Production, Government of Pakistan.

He has previously served as Secretary, Ministry of Labour and Manpower, Ministry of Inter-Provincial Coordination, Board of Investment, Ministry of Railways and as Chairman, State Engineering Corporation. He held various positions in the Cabinet Secretariat, Finance Division, Economic Affairs Division, Industries and Production Division and the National Accountability Bureau. He also served as Commercial Counselor in Pakistan High Commission, London and the Embassy of Pakistan, Stockholm.

He joined the District Management Group in 1980 and served on various appointments like Member of the Board of Revenue, District Magistrate / District Collector / Deputy Commissioner and Sub-divisional Magistrate / Collector / Assistant Commissioner.

He has remained a weekly columnist for almost five years with The News and The Nation, and is author of 'The Hair of the Dog', a collection of short stories.

He is a graduate of Columbia University, New York, and National Defence University Islamabad and holds Master's Degrees in Public Administration, Economics and Defence & Strategic Studies.

Mr Per Kristian Bakkerud
(Non-Executive Director)

Joined the Board on June 16, 2015.

He is the Group Vice President of Chemical Business Unit at Haldor Topsoe A/S, Denmark since November 2014.

He has worked as process engineer and project manager for many of Topsoe's technologies around the world. He served as Head of Syngas Process Engineering, Vice President for Technology and Engineering and Vice President for New Technologies before taking up the position as Managing Director of Haldor Topsoe's Chinese operations in 2011.

He graduated from The Technical University of Norway in 1980 and has served in various positions for Det Norske Veritas, Norwegian Petroleum Consultants and Exxon Mobil before joining Haldor Topsoe A/S in 1990.

He is the President of Energy Frontiers International and also serves as member of Natural Gas Conversion Board.

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

Mr Mohammad Munir Malik
(Chief Financial Officer)

Appointed as CFO on September 25, 2015 and is also holding the same appointment in Fauji Fresh n Freeze Limited.

He joined FFC in 1990 and has served as Group General Manager - Marketing prior to his appointment as CFO. He also served as Director on the Board of Fauji Fresh n Freeze Limited for two years.

During his career in FFC, he has worked at various key positions in Finance and Marketing Groups and has been actively involved in the strategic / financial planning of the Company. He also played an instrumental role in arrangement of syndicated debt for buyout of ex-Pak Saudi Fertilizer Limited, now FFC Plant-III.

He has undergone various professional trainings from Kellogg School of Business, Harvard Business School, Foster School of Business, Chicago Booth School of Business, Ross School of Business, Center for Creative Leadership, USA and IMD, Switzerland.

Prior to joining FFC, he worked with Dowell Schlumberger (Western) S.A., an international oil service company and Attock Cement Pakistan Limited at senior finance positions.

He is a Fellow of 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 Defence University Islamabad, in the department of National Security Policy and Strategy and had a stint as Director in the Defence Science and Technology Organization.

He is an alumni of National Defence University, Quaid-e-Azam University and the University of Maryland, USA. He holds Master's Degrees in International Relations, Defence & Strategic Studies and War Studies and a Diploma in Corporate and Commercial Law. He has also attended an MBA program offered by the 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 Zuberi	Chairperson
Mr Qaiser Javed	Member
Dr Nadeem Inayat	Member
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)	Member

MEMBERS	MEETINGS HELD					TOTAL MEETINGS ATTENDED
	26TH JANUARY	22ND APRIL	26TH JULY	22ND OCTOBER	19TH DECEMBER	
Engr Rukhsana Zuberi	✔	✔	✔	✔	✔	5
Mr Qaiser Javed	✔	✔	✔	✔	✔	5
Dr Nadeem Inayat	✔	–	–	–	✔	2
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)	✔	✔	✔	✔	✔	5

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 Mumtaz Ahmad Bajwa, HI (M) (Retired)	Chairman
Dr Nadeem Inayat	Member
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)	Member

MEMBERS	MEETINGS HELD		TOTAL MEETINGS ATTENDED
	20th JANUARY	14th DECEMBER	
Maj Gen Ghulam Haider, HI (M) (Retired)	✔	N/A Retired w.e.f 31st Jan, 2015	1
Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired)	N/A	✔ Appointed as Chairman w.e.f 1st Feb, 2015	1
Dr Nadeem Inayat	–	–	–
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)	✔	✔	2

SALIENT FEATURES & TERMS OF REFERENCE

The role of the Human Resource & Remuneration Committee is to assist the Board of Directors 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 caliber staff, for consideration and approval. The Committee has the following responsibilities, powers, authorities and discretion:

a) Conduct periodic reviews of the Good Performance Awards, 10C Bonuses, and Maintenance of Industrial Peace Incentives (MOIPI) as per the CBA agreements, Long 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 Mumtaz Ahmad Bajwa, HI (M) (Retired)	Member

MEMBERS	MEETINGS HELD		TOTAL MEETINGS ATTENDED
	24^{th} JULY	14^{th} DECEMBER	
Brig Dr. Gulfam Alam, SI (M) (Retired)	✔	✔	2
Dr Nadeem Inayat	–	–	–
Maj Gen Mumtaz Ahmad Bajwa, 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.

PROJECTS DIVERSIFICATION COMMITTEE

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

MEMBERS	MEETING HELD	MEETING ATTENDED
	31^{st} OCTOBER	
Dr Nadeem Inayat	✔	1
Mr Qaiser Javed	✔	1
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 Shafqaat Ahmed, HI (M) (Retired), CE&MD	Chairman
Mr Mohammad Munir Malik, CFO	Member
Mr Muhammad Shuaib, CIA	Member
Brig Dr Mukhtar Hussain, SI (M) (Retired), CIO	Member
Mr Shakeel Ahmed, GM-MKT	Member
Brig Tariq Javaid, SI (M) (Retired), GM-HR	Member
Mr Naveed Ahmad Khan, GM-M&O (Goth Machhi)	Member
Mr Pervez Fateh, GM-M&O (Mirpur Mathelo)	Member
Mr Rehan Ahmed, GM-T&E	Member
Brig Sher Shah, SI (M) (Retired), Company Secretary	Member / Secretary

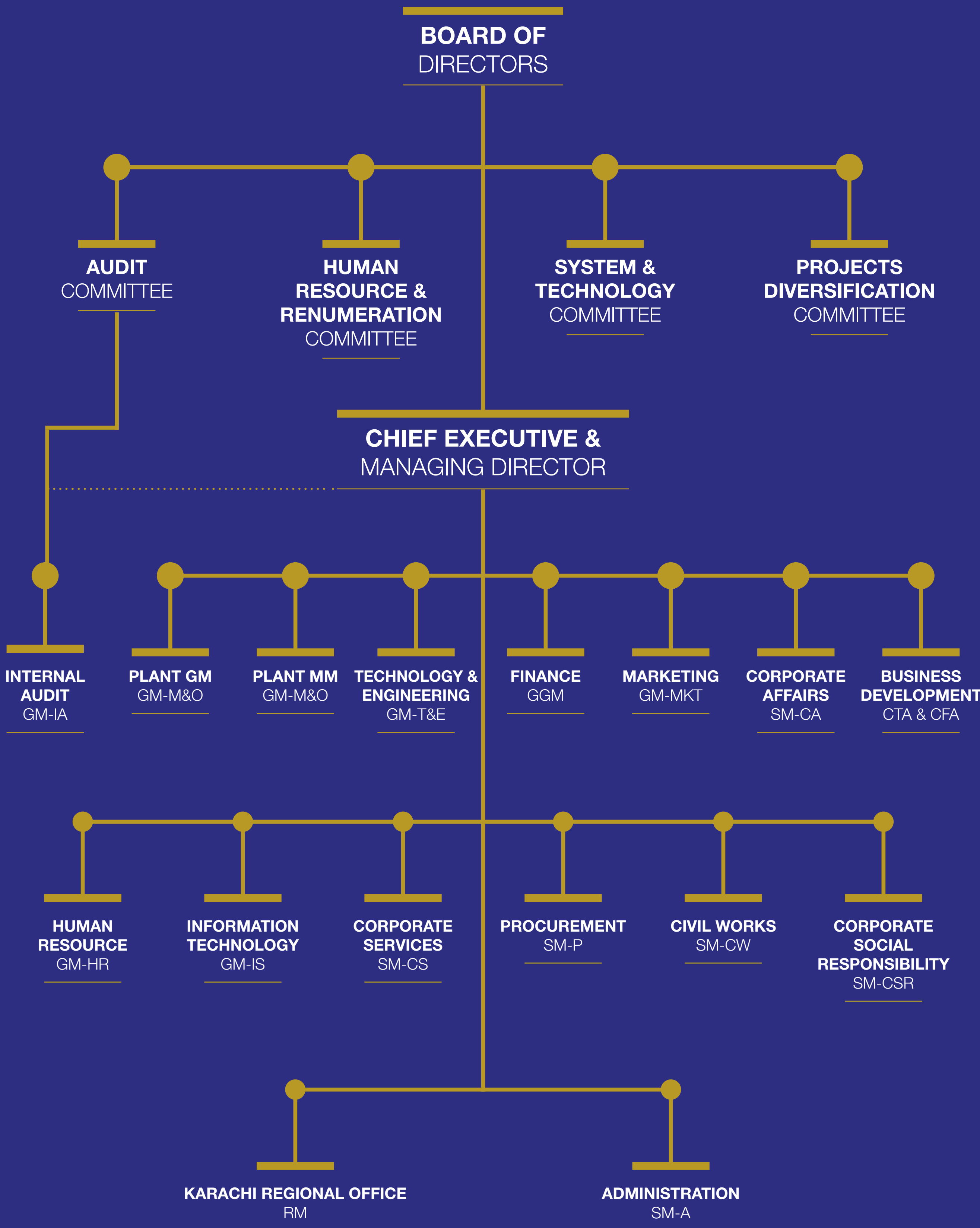
BUSINESS STRATEGY COMMITTEE

COMPOSITION	
Lt Gen Shafqaat Ahmed, HI (M) (Retired), CE&MD	Chairman
Mr Mohammad Munir Malik, CFO	Member
Syed Iqtidar Saeed, CTA	Member
Syed Shahid Hussain, CFA	Member
Mr Shakeel Ahmed, GM-MKT	Member
Mr Naveed Ahmad Khan, GM-M&O (Goth Machhi)	Member
Brig Sher Shah, SI (M) (Retired), Company Secretary	Member
Syed Aamir Abbas, M-BD	Member / Secretary

CSR COMMITTEE

COMPOSITION	
Lt Gen Shafqaat Ahmed, HI (M) (Retired), CE&MD	Chairman
Mr Mohammad Munir Malik, CFO	Member
Mr Shakeel Ahmed, GM-MKT	Member
Mr Naveed Ahmad Khan, GM-M&O (Goth Machhi)	Member
Brig Sher Shah, SI (M) (Retired), Company Secretary	Member
Brig Munawar Hayat Khan Niazi, SI (M) (Retired), SM-CSR	Member / Secretary

ORGANIZATIONAL CHART



BUSINESS MODEL

GROWTH DRIVERS

- Sales Growth
- Cost Optimization
- Cash Utilization

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

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

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

OUR KEY ASSETS

- People
- Market Goodwill
- Efficient Production
- Distribution Network

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

- Consumer Satisfaction
- Execution Excellence
- Future Planning

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 FFC, similar to the rest of the local industry, is in Prilled form whereas that produced by FFBL is Granular, being the only plant of its kind in Pakistan.

INDUSTRIAL USE

Raw material for 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, 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 for operating a 49.5 MW wind power generation facility and the onward supply of electricity to Pakistan's national grid (NTDC) contributing towards alleviating the energy crisis of the Country.

FINANCIAL SERVICES

AKBL

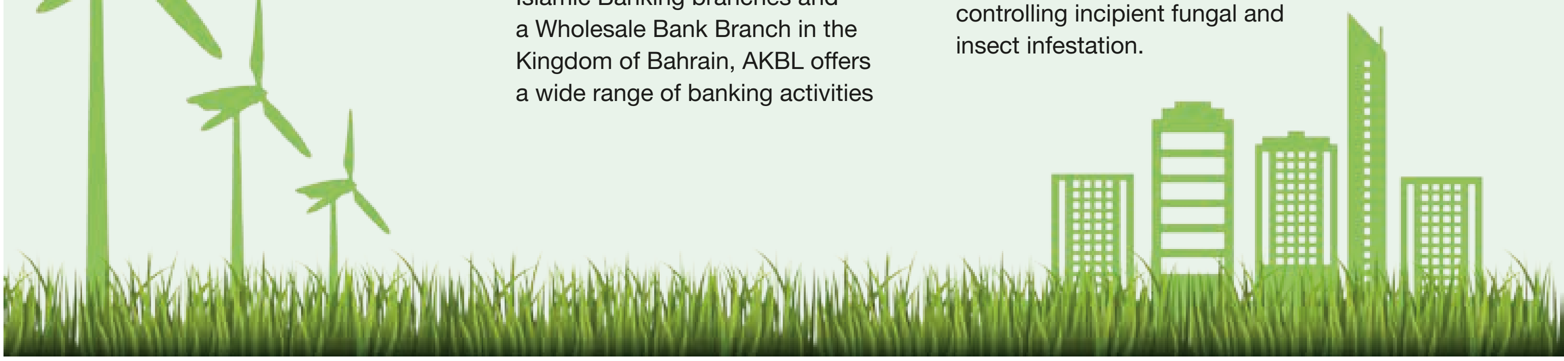
Operating through a network of 424 branches, including 75 Islamic Banking branches and a Wholesale Bank Branch in the Kingdom of Bahrain, AKBL offers a wide range of banking activities including commercial & corporate lending, trade businesses, Islamic, consumer, agriculture & investment banking, equity 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.

PROCESSED FRUITS & VEGETABLES

FFF

With completion of construction work on the Individually Quick Freeze (IQF) and Vapour Heat Treatment (VHT) plants, FFF was successfully inaugurated during 2015 and commenced shipment of its product portfolio to both domestic and export markets. Fruits & vegetables processed using IQF technology, are hygienically safer and have a much longer shelf-life while retaining their nutritional value ensuring year round availability. VHT processing ensures retention of fruit quality by preventing and controlling incipient fungal and insect infestation.



STAKEHOLDERS' ENGAGEMENT

STAKEHOLDERS	MANAGEMENT OF STAKEHOLDERS' ENGAGEMENT	EFFECT AND VALUE TO FFC
INSTITUTIONAL INVESTORS / SHAREHOLDERS	The Company acknowledges and honours the trust our investors put in us by providing a steady return on their investment. We rigorously enforce 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 is highlighting the importance of rapid and efficient transfer of advance 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 an 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 • Effective 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, effective awareness is created regarding the Company and the products and services offered, indirectly having a positive impact.
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 around Rs. 60 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 share price.	Providing all the required information to analysts helps in clarifying any misconception / rumour in the market and creates a positive investor perception.
EMPLOYEES	FFC's commitment to its most valued resource, a dedicated and competent workforce, is at the core of its human resource strategy. FFC provides a nurturing and employee friendly environment while investing considerably in local and foreign employee trainings. Besides monetary compensations, FFC has also invested in health and fitness activities for its employees.	The Company's employees represent its biggest asset, implementing every strategic and operational decision and representing FFC 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 general economic uplift of the society.	The people of the Country provide the grounds for FFC to build its future on.

NOTICE OF MEETING

Notice is hereby given that the 38th Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at FFC Head Office, 156 The Mall, Rawalpindi on Thursday, March 17, 2016 at 1100 hours to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of Extraordinary General Meeting held on September 29, 2015.
2. To consider, approve and adopt separate and consolidated audited financial statements of FFC together with Directors' and Auditors' Reports thereon for the year ended December 31, 2015.
3. To appoint Auditors for the year 2016 and to fix their remuneration.
4. To consider and approve payment of Final Dividend for the year ended December 31, 2015 as recommended by the Board of Directors.
5. To transact any other business with the permission of the Chair.

By Order of the Board

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

Rawalpindi
February 23, 2016

NOTES:

1. The share transfer books of the Company will remain closed from March 11, 2016 to March 17, 2016 (both days inclusive) and no request for transfer of shares will be accepted for registration. Transfers received at Company's Share Registrar namely Central Depository Company of Pakistan Limited, Shares Registrar Department, CDC House, 99-B, Block-B S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400 by the close of business on March 10, 2016 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 (SECP).

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, at least 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 along with 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 Audited Financial Statements of the Company for the financial year ended December 31, 2015 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 2015 are being emailed to the members having opted to receive such communication in electronic format. Other members who wish to receive the Annual Report 2015 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 2015 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 copies 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, 2015 has made further 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: 12.50%

(b) For non-filers of income tax returns: 17.50%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.50% instead of 17.50%, 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, 2016; otherwise tax on their cash dividend will be deducted @ 17.50% instead of 12.50%.

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

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

Central Depository Company of Pakistan Limited
Shares Registrar Department,
CDC House, 99-B, Block-B
S.M.C.H.S,
Main Shahra-e-Faisal
Karachi-74400
Tel: +92-800-23275
Email: info@cdcpak.com

The corporate shareholders having CDC accounts are required to have their National Tax Numbers (NTNs) 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. Central Depository Company of Pakistan Limited, Shares Registrar Department. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

FINANCIAL PERFORMANCE

		2015	2014	2013	2012	2011	2010
PROFITABILITY RATIOS							
Gross profit ratio	%	34.05	38.29	46.36	48.47	62.20	43.60
Net profit to sales	%	19.76	22.37	27.03	28.07	40.73	24.58
EBITDA margin to sales	%	32.97	35.61	42.74	44.98	63.64	41.43
Operating leverage ratio	Times	(0.93)	(1.10)	(28.57)	(0.17)	4.12	1.00
Return on equity (Profit after tax)	%	61.39	70.79	80.06	80.96	99.17	71.40
Return on equity (Profit before tax)	%	89.72	102.22	116.97	120.51	146.23	105.59
Return on capital employed	%	38.81	64.50	68.41	70.38	88.60	57.25
Pre tax margin	%	28.88	32.30	39.50	41.78	60.06	36.35
Return on assets	%	20.92	20.98	29.69	34.38	40.50	25.61
Growth in EBTDA	%	(5.64)	(9.64)	(4.18)	(5.60)	96.27	23.91
Earning before interest, depreciation and tax	Rs. in million	27,972	28,929	31,832	33,430	35,141	18,591
Earnings growth	%	(7.73)	(9.75)	(3.48)	(7.26)	103.94	25.00
LIQUIDITY RATIOS							
Current ratio	Times	0.84	0.67	0.77	1.14	1.04	0.86
Quick / Acid test ratio	Times	0.58	0.59	0.66	1.01	0.93	0.73
Cash to current liabilities	Times	(0.18)	0.28	0.38	0.61	0.38	0.32
Cash flow from operations to sales	Times	(0.27)	0.36	0.34	0.25	0.35	0.33
ACTIVITY / TURNOVER RATIOS							
Inventory turnover ratio	Times	20	148	188	152	162	283
No. of days in inventory	Days	18	2	2	2	2	1
Debtors turnover ratio	Times	65	107	35	40	248	146
No. of days in receivables	Days	6	3	11	9	1	3
Creditors turnover ratio - GIDC	Times	4	3	9	97	86	92
- without GIDC	Times	85	124	144	97	86	92
No. of days in payables - GIDC	Days	88	124	42	4	4	4
- without GIDC	Days	4	3	3	4	4	4
Total assets turnover ratio	Times	1.06	0.94	1.10	1.23	0.99	1.04
Fixed assets turnover ratio	Times	3.97	4.04	4.04	4.17	3.24	2.82
Operating cycle - GIDC	Days	(64)	(119)	(29)	7	(1)	-
- without GIDC	Days	20	2	10	7	(1)	-
INVESTMENT / MARKET RATIOS							
Earnings per share (EPS) and Diluted EPS - restated	Rs.	13.18	14.28	15.83	16.40	17.68	8.67
Price earning ratio	Times	8.95	8.20	7.07	7.14	5.64	7.75
Dividend yield ratio	%	8.82	11.99	13.77	12.29	16.51	14.24
Dividend payout ratio							
- Cash (interim & proposed final)	%	90.00	95.57	96.99	94.53	75.42	79.98
- Cash & stock (interim & proposed final)	%	90.00	95.57	96.99	94.53	94.27	95.36
Dividend cover ratio	Times	1.11	1.05	1.03	1.06	1.06	1.05
Cash dividend per share (interim & proposed final)	Rs.	11.86	13.65	15.35	15.50	20.00	13.00
Stock dividend per share (interim & proposed final)	%	-	-	-	-	50.00	25.00
Market value per share							
- Year end	Rs.	117.98	117.11	111.96	117.14	149.54	125.86
- High during the year	Rs.	158.87	125.92	121.60	190.95	198.35	128.50
- Low during the year	Rs.	109.40	106.51	100.00	105.75	109.82	101.10
Breakup value (net assets per share) - restated							
- Without revaluation reserves	Rs.	21.47	20.18	19.77	20.25	17.83	12.14
- With revaluation reserves *	Rs.	N/A					
Retention (after interim & proposed cash)	%	10.00	4.43	3.01	5.47	24.58	20.02
Change in market value added	%	(0.43)	5.14	(4.85)	18.35	48.89	23.24
Market price to breakup value	Times	6.26	5.64	5.64	6.23	5.66	4.78
CAPITAL STRUCTURE RATIOS							
Financial leverage ratio	Times	1.41	0.62	0.51	0.40	0.58	0.73
Weighted average cost of debt	%	7.53	10.48	10.08	12.47	14.50	13.49
Debt to equity ratio		37:63	9:91	15:85	13:87	10:90	20:80
Interest cover ratio	Times	17.61	31.91	39.91	32.08	43.20	16.00

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

Rs. in million

	2015	2014	2013	2012	2011	2010
SUMMARY OF BALANCE SHEET						
Share capital	12,722	12,722	12,722	12,722	8,482	6,785
Reserves	14,589	12,948	12,429	13,045	14,199	8,662
Shareholders' funds / Equity	27,311	25,670	25,151	25,767	22,681	15,447
Long term borrowings	15,893	2,500	4,280	3,870	2,704	3,819
Capital employed	43,204	28,170	29,431	29,637	25,385	19,266
Deferred liabilities	4,600	4,574	4,078	3,915	3,623	3,807
Property, plant & equipment	21,382	20,094	18,444	17,819	17,051	15,934
Long term assets	52,915	50,678	41,501	29,716	27,895	25,837
Net current assets / Working capital	(5,111)	(17,934)	(7,992)	3,836	1,113	(2,764)
Liquid funds (net)	2,981	24,787	13,539	17,763	14,603	7,830
SUMMARY OF PROFIT & LOSS						
Sales	84,831	81,240	74,481	74,323	55,221	44,874
Gross profit	28,882	31,103	34,532	36,023	34,349	19,564
Operating profit	22,068	24,672	28,365	30,469	29,977	15,620
Profit before tax	24,503	26,241	29,419	31,052	33,166	16,310
Profit after tax	16,766	18,171	20,135	20,860	22,492	11,029
EPS - Basic & Diluted (restated)	13.18	14.28	15.83	16.40	17.68	8.67
SUMMARY OF CASH FLOWS						
NET CASH FLOW FROM OPERATING ACTIVITIES						
Net profit before taxation	24,503	26,241	29,419	31,021	33,166	16,310
Adjustments for non cash & other items	(2,462)	(1,832)	(1,831)	(1,816)	(4,094)	(569)
Changes in working capital	(35,042)	14,774	8,182	(272)	1,795	3,660
Changes in long term loans and advances, deposits, prepayments and deferred liabilities	315	9	14	3	(68)	(50)
	(34,727)	14,783	8,196	(269)	1,727	3,610
	(12,686)	39,192	35,784	28,936	30,799	19,351
Finance cost paid	(1,237)	(753)	(759)	(1,054)	(844)	(1,096)
Income tax paid	(9,103)	(9,349)	(9,755)	(9,235)	(10,398)	(3,488)
Net cash (used in) / generated from operating activities	(23,026)	29,090	25,270	18,647	19,557	14,767
NET CASH FLOW FROM INVESTING ACTIVITIES						
Fixed capital expenditure	(3,279)	(3,479)	(2,295)	(2,270)	(2,314)	(3,314)
Interest received	1,758	1,283	1,242	1,276	1,481	501
(Increase) / Decrease in investments - net	54	(8,533)	(10,266)	2,869	(4,031)	1,116
Dividends received	2,720	2,578	2,586	2,815	4,842	2,576
Others	22	420	50	28	14	82
Net cash generated from / (used in) investing activities	1,275	(7,731)	(8,683)	4,718	(8)	961
NET CASH FLOW FROM FINANCING ACTIVITIES						
Long term financing - disbursements	18,621	-	1,950	3,000	500	1,500
- repayments	(2,499)	(1,460)	(1,513)	(2,015)	(1,759)	(2,299)
Dividends paid	(15,443)	(17,583)	(20,678)	(17,750)	(14,774)	(10,622)
Net cash generated from / (used in) financing activities	679	(19,043)	(20,241)	(16,765)	(16,033)	(11,421)
Net (decrease) / increase in cash and cash equivalents	(21,072)	2,317	(3,654)	6,600	3,516	4,307
Cash and cash equivalents at beginning of the year	15,281	13,013	16,571	9,963	6,422	2,096
Effect of exchange rate changes	(73)	(48)	96	8	25	19
Cash and cash equivalents at end of the year	(5,864)	15,281	13,013	16,571	9,963	6,422

OTHERS							
Market capitalization	Rs. in million	150,099	148,992	142,440	149,030	126,834	85,399
Numbers of shares issued	Million	1,272	1,272	1,272	1,272	848	679
Contribution to National Exchequer	Rs. in million	59,781	45,027	43,534	43,189	28,081	14,647
Savings through Import Substitution	Million US $	654	833	969	1,061	1,126	756

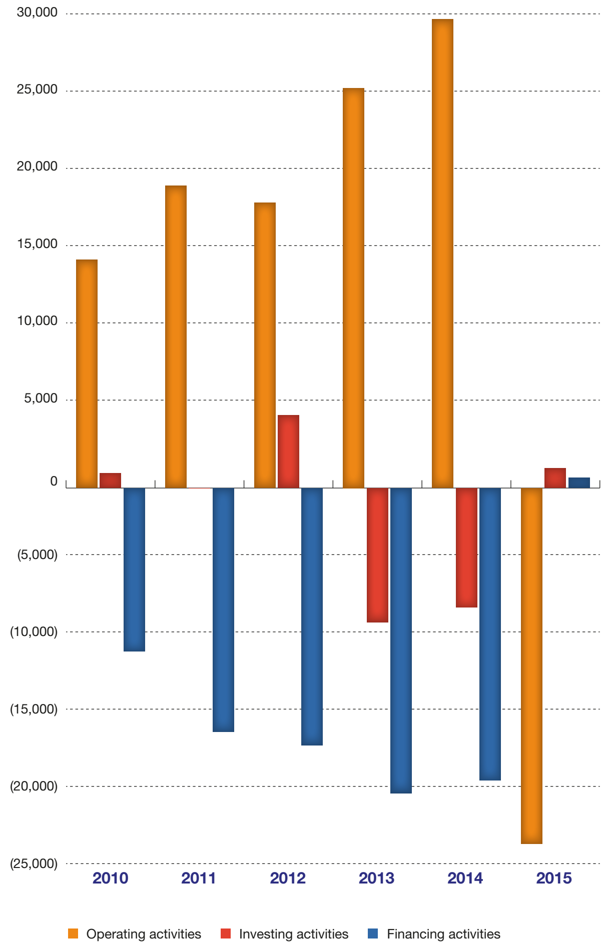
FINANCIAL PERFORMANCE

DIRECT METHOD CASH FLOW

Rs. in million

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES (DIRECT METHOD)		
Cash receipts from customers - net	77,588	81,080
Cash paid to suppliers / service providers and employees - net	(87,913)	(39,316)
Payment to gratuity fund	(75)	(586)
Payment to pension fund	(459)	(94)
Payment to Workers' Welfare fund - net	(467)	(417)
Payment to Workers' Profit Participation fund - net	(1,360)	(1,475)
Finance cost paid	(1,237)	(753)
Income tax paid	(9,103)	(9,349)
	(23,026)	29,090
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(3,279)	(3,479)
Proceeds from sale of property, plant and equipment	22	45
Interest received	1,758	1,283
Investment in Fauji Fresh n Freeze Limited	(400)	(450)
Sale of shares in Fauji Fertilizer Bin Qasim Limited	-	375
(Increase) / Decrease in other investment - net	454	(8,083)
Dividends received	2,720	2,578
Net cash used in from investing activities	1,275	(7,731)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - disbursements	18,621	-
- repayments	(2,499)	(1,460)
Dividends paid	(15,443)	(17,583)
Net cash used in financing activities	679	(19,043)
Net increase / (decrease) in cash and cash equivalents	(21,072)	2,316
Cash and cash equivalents at beginning of the year	15,281	13,013
Effect of exchange rate changes	(73)	(48)
Cash and cash equivalents at end of the year	(5,864)	15,281

CASH FLOW ANALYSIS (Rs. in million)



		2015	2014	2013	2012	2011	2010
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	849	816	775	799	842	867
Plant II - Goth Machhi	KT	774	804	803	772	782	807
Plant III - Mirpur Mathelo	KT	846	783	830	834	772	811
Total production - Sona Urea	KT	2,469	2,403	2,408	2,405	2,396	2,485
CAPACITY UTILIZATION							
Plant I - Goth Machhi	%	122	117	112	115	121	125
Plant II - Goth Machhi	%	122	127	126	122	123	127
Plant III - Mirpur Mathelo	%	118	109	116	116	108	113
Total capacity utilization	%	121	117	118	117	117	121
Sona Urea - Sales	KT	2,408	2,371	2,409	2,399	2,406	2,482
Imported Fertilizer - Sales	KT	181	140	81	74	10	87

SIX YEAR ANALYSIS OF FINANCIAL POSITION & PERFORMANCE

EQUITY AND LIABILITIES

SHAREHOLDERS' EQUITY

Shareholders' equity comprising of share capital and reserves witnessed an increase of 77% over the past 5 years. Share capital was increased in 2011 and 2012 through bonus issues of 25% and 50%. Reserves of the Company were registered at Rs. 14.20 billion in 2011, witnessing a substantial increase of 64% over the previous year, but thereafter, despite the profitability, reserves declined to Rs. 12.95 billion owing to bonus shares issue in 2011 and 2012. The reserves however, increased by 13% in 2015 to Rs. 14.59 billion due to relatively low dividend distribution during the year.

NON-CURRENT LIABILITIES

Provision for compensated leave absences increased steadily over the last 5 years whereas deferred taxation remained fairly constant. Overall, deferred liabilities comprising of the above two components stood at Rs. 4.6 billion at the end of 2015 witnessing an increase of 21% over the past 5 years, with a marginal increase of 1% compared to 2014. Long term borrowings remained relatively low up till 2014 due to healthy operational cash generation by the Company. However, long term borrowings substantially increased from Rs. 2.50 billion in 2014 to Rs. 15.89 billion at the end of 2015 to finance the outstanding GIDC obligation of the Company, besides funding of working capital requirements.

CURRENT LIABILITIES

Trade and other payables increased consistently from Rs. 9.02 billion in 2010 to Rs. 37.90 billion in 2014 mainly due to accumulated GIDC obligation which was settled during the year, bringing down the trade and other payables to Rs. 8.11 billion at the close of 2015. However, short term borrowings and current portion of long term borrowings witnessed a significant increase of 55% and 153% respectively compared to 2014, due to funding of the GIDC remittances through borrowings. As a result, overall, current liabilities increased from Rs. 19.99 billion in 2010 to Rs. 32.33 billion at the end of 2015.

ASSETS

NON-CURRENT ASSETS

Non-current assets mainly comprised of property, plant and equipment and long term investments of the Company and have increased from Rs. 25.84 billion in 2010 to Rs. 52.92 billion in 2015, strengthening the Company's asset base. Property, plant and equipment depicted a steady growth over the years increasing from Rs. 15.93 billion in 2010 to Rs. 21.38 billion as at December 31, 2015. Long term investments standing at Rs. 7.87 billion in 2010, increased to Rs. 9.51 billion by 2012 and represented equity investment in FFCEL. Investments witnessed further addition of Rs. 11.15 billion in 2013 on account of investments in AKBL and FFF, registering further increase of Rs. 7.47 billion in 2014 mainly due to investment in Government securities to generate incremental income and finally stood at Rs. 29.13 billion at the close of 2015, with an additional equity investment of Rs. 400 million in FFF during the year.

CURRENT ASSETS

Current assets mainly comprise of stores, stock, trade debts, short term investments and cash & bank balances. Up till 2014, growth in current assets was primarily attributable to short term investments which grew from Rs. 12.02 billion in 2010 to Rs. 27.43 billion in 2014 as the Company deposited surplus funds to generate lucrative returns. However, short term investments witnessed a substantial decline of Rs. 17.10 billion in 2015 due to encashment to finance the outstanding GIDC obligation. Stock in trade however increased from Rs. 982 million in 2014 to Rs. 5.10 billion in 2015 due to higher production / import of fertilizers and suppressed market conditions in the second half of the year. On an aggregate basis, current assets increased from Rs. 17.22 billion in 2010 to Rs. 27.21 billion in 2015.

PROFIT AND LOSS

REVENUE & COST OF SALES

The Company has consistently been improving its records for highest ever revenue each year since 2010 with sales increasing from Rs. 44.87 billion in 2010 to Rs. 84.83 billion in 2015. Although the compound annual growth rate for sales revenue is 14% over the last 6 years, the cost of sales witnessed a higher rate of increase of 17% since 2010 mainly on account of persistent escalation in raw material costs resulting in significant cost absorption by the Company.

GROSS PROFIT

Absorption of increase in cost of production resulted in a 7% decrease in gross profit compared to 2014. However, the gross profit has increased by a compound annual growth rate of 8% over the past 6 years improving from Rs. 19.56 billion in 2010 to Rs. 28.88 billion in 2015.

DISTRIBUTION COST & OPERATING PROFIT

Effective cost control measures have resulted in curtailment of increase in distribution costs to a compound annual growth rate of 12%, in line with handling of incremental product volume and inflationary trends. Operating profit of the Company has increased from Rs. 15.62 billion in 2010 to Rs. 22.07 billion in 2015, which was however 11% below

SIX YEAR ANALYSIS OF FINANCIAL POSITION & PERFORMANCE

last year due to a comparatively higher increase in cost of sales compared to revenue.

CASH FLOWS

Cash flows from operating activities depicted a steady growth pattern from 2010 to 2014 but were drastically impacted in 2015 due to payment of outstanding GIDC obligation and high inventory levels resulting in a net deficit in cash from operating activities of Rs. 23.03 billion compared to net cash generated from operations of Rs. 29.09 billion in 2014 and Rs. 14.77 billion in 2010. Investing activities mainly comprised of fixed capital expenditure and equity investments in AKBL, FFCEL and FFF whereas incremental dividend income from associated companies FFBL, AKBL and FCCL in the past years has partially offset the impact of cash outflow from investing activities. The Company has historically had a negative cash balance from financing activities mainly on account of dividend payments and relatively low debt disbursements. However, the substantial long term financing obtained to fund GIDC payments during 2015 resulted in a net cash surplus from financing activities for the first time in the past 6 years. Overall, cash and cash equivalents stood at negative Rs. 5.86 billion at the close of 2015 compared to Rs. 15.28 billion in 2014 and Rs. 6.42 billion in 2010.

RATIO ANALYSIS

PROFITABILITY RATIOS

The imposition of GIDC since 2012 coupled with chronic gas curtailment and escalation in gas tariffs has negatively impacted Company margins although the effect has been partially mitigated by higher sales revenues over the years. Decrease in gross and net profit margins since 2010 has been limited to 10% and 5% respectively through resilient measures by the Company to constantly augment revenues despite adverse market conditions and implement effective cost optimization strategies. Net return on assets however, remained stable compared to last year and stood at 21% for 2015.

OPERATING PERFORMANCE / LIQUIDITY RATIOS

The Company's current ratio for 2015 was recorded at 0.84 times which is fairly in line with 0.86 times registered in 2010 witnessing an improvement of 0.17 times compared to 2014 due to settlement of outstanding GIDC obligation during the year. The substantial GIDC remittances however, resulted in a negative balance of cash and cash equivalents at the close of 2015 translating into a 'cash to current liabilities' ratio of negative 0.18 times compared to 0.28 times in 2014 and 0.32 times in 2010.

ACTIVITY / TURNOVER RATIOS

Although inventory turnover has historically been managed efficiently averaging 2 days up till 2014, uncertain market conditions prevailing during second half of the current year resulted in high inventory levels at the close of 2015 increasing the ratio to 18 days. Debtor turnover days remained in line with the 6 year historic average of 6 days evidencing minimal reliance of the Company on credit sales. Creditor turnover days witnessed significant improvement and were reduced from 124 days in 2014 to 88 days in 2015 on settlement of GIDC improving the operating cycle days from negative 119 days in 2014 to negative 64 days in 2015. Total asset turnover in 2015 remained exactly equal to the 6 year average of 1.06 times.

INVESTMENT / MARKET RATIOS

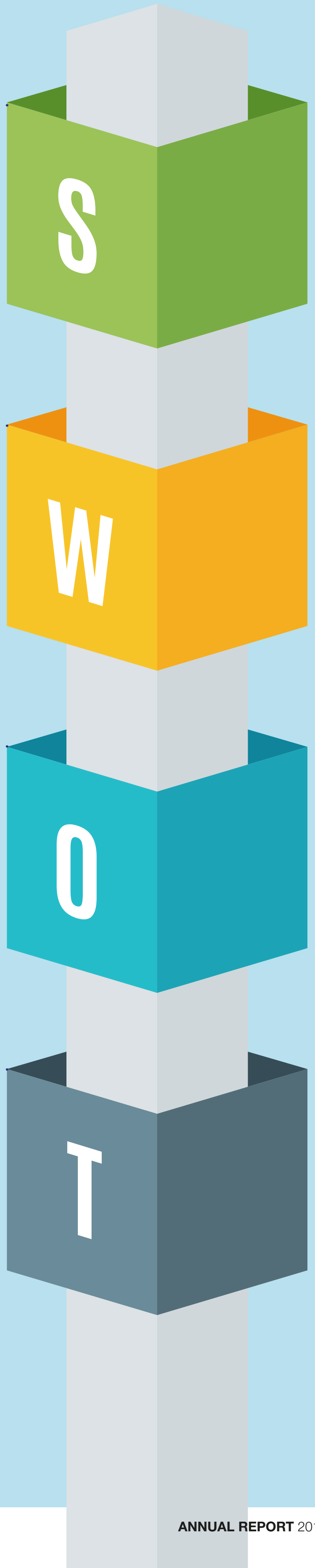
Earnings per share stood at Rs. 13.18 for the year ended 2015 registering a decline of 8% compared to last year on account of depressed profitability which however led to an increase in the price to earnings ratio of 0.75 times due to minimal change in the market price of the Company's shares during the year. The price to earnings ratio has remained relatively stable averaging 7.46 times. The breakup value per share of the Company was recorded at Rs. 21.47 for 2015, improving by Rs. 1.29 compared to 2014 and in line with the 6 year historic average of Rs. 18.61.

The Company reduced cash payouts in 2010 and 2011 compensating shareholders through announcement of bonus shares of 25% and 50% respectively which were issued in the following years. Total cash dividend per share for 2015 stood at Rs. 11.86 per share translating into a cash payout of 90% with no stock dividend against a 6 year average total payout (cash & stock) of 94%.

CAPITAL STRUCTURE RATIOS

Financial leverage for 2015 increased considerably compared to the past 5 years as the Company availed large amount of short and long term borrowings to finance GIDC payments and meet its working capital requirements. Debt to equity ratio also correspondingly increased to 37:63 from 9:91 in 2014 and 20:80 in 2010. The high amount of borrowings appearing on the Company's balance sheet reduced the interest cover ratio to 17.61 times compared to 31.91 times in 2014 although it remained fairly in line with the interest cover ratio of 16.00 times in 2010.

SWOT ANALYSIS



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
- High barriers to entry in the industry

WEAKNESSES

- Mature industry with clogged overall demand
- Established competitors' dealer network hampering market share enhancement
- Reliance on depleting natural resource
- Narrow product line
- Relatively homogeneous product limiting pricing strategies

OPPORTUNITIES

- Horizontal as well as vertical diversification
- Increase / value addition in product line covering macro and micro nutrients
- Implementation of energy efficient technologies to conserve gas
- Exploration of alternative sources of raw material
- Potential to export fertilizer

THREATS

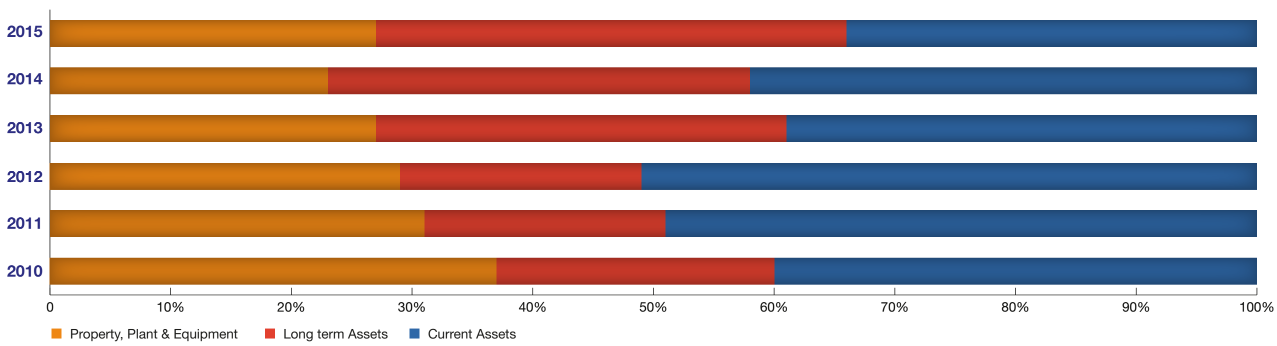
- Declining international fertilizer prices
- Inconsistent Government policies for fertilizer industry
- Depleting natural gas reserves & gas curtailment
- Excessive fertilizer imports by the Government and marketing at subsidized rates
- Poor farm economics
- Continuous increase in raw material / fuel prices and GIDC
- Provision of gas to competitors at concessionary rates
- Imposition of additional taxes and levies

HORIZONTAL ANALYSIS
BALANCE SHEET

Rs. in million

	2015 Rs.	15 Vs 14 %	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 %
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	-	12,722	-	12,722	-	12,722	50.00	8,482	25.00	6,785	-
Capital reserve	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	14,429	12.83	12,788	4.23	12,269	(4.78)	12,885	(8.22)	14,039	65.13	8,502	38.54
	27,311	6.39	25,670	2.06	25,151	(2.39)	25,767	13.61	22,681	46.83	15,447	18.08
NON - CURRENT LIABILITIES												
Long term borrowings	15,893	535.72	2,500	(41.59)	4,280	10.59	3,870	43.12	2,704	(29.20)	3,819	(16.60)
Deferred liabilities	4,600	0.57	4,574	12.16	4,078	4.16	3,915	8.06	3,623	(4.83)	3,807	25.40
	20,493	189.69	7,074	(15.36)	8,358	7.36	7,785	23.04	6,327	(17.03)	7,626	0.14
CURRENT LIABILITIES												
Trade and other payables	8,114	(78.62)	37,904	73.44	21,854	35.52	16,126	30.79	12,330	36.65	9,023	12.75
Interest and mark - up accrued	268	793.33	30	36.36	22	(12.00)	25	(68.75)	80	(42.03)	138	(6.12)
Short term borrowings	18,021	55.31	11,603	65.76	7,000	40.28	4,990	(42.88)	8,735	54.85	5,641	(7.36)
Current portion of long term borrowings	4,510	153.37	1,780	21.92	1,460	1.81	1,434	(11.26)	1,616	(8.13)	1,759	(2.22)
Taxation	1,413	(43.50)	2,501	(37.21)	3,983	(12.33)	4,543	20.76	3,762	9.81	3,426	88.55
	32,326	(39.98)	53,818	56.82	34,319	26.55	27,118	2.24	26,523	32.70	19,987	11.94
TOTAL EQUITY AND LIABILITIES	80,130	(7.47)	86,562	27.62	67,828	11.80	60,670	9.25	55,531	28.96	43,060	11.69
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	21,382	6.41	20,094	8.95	18,444	3.51	17,819	4.50	17,051	7.01	15,934	13.86
Intangible assets	1,577	(2.11)	1,611	(2.48)	1,652	(1.61)	1,679	7.01	1,569	-	1,569	-
Log term investments	29,129	3.54	28,134	36.16	20,662	117.22	9,512	9.85	8,659	10.03	7,870	1.84
Long term Loans & advances	814	(1.09)	823	11.22	740	5.56	701	15.68	606	33.19	455	34.62
Long term deposits & prepayments	13	(18.75)	16	433.33	3	(40.00)	5	(50.00)	9	0.00	9	50.00
	52,915	4.41	50,678	22.11	41,501	39.66	29,716	6.53	27,894	7.96	25,837	9.32
CURRENT ASSETS												
Stores, spares and loose tools	3,396	2.44	3,315	2.16	3,245	4.71	3,099	26.64	2,447	0.29	2,440	(18.59)
Stock in trade	5,100	419.35	982	225.17	302	(31.67)	442	(30.61)	637	200.47	212	47.22
Trade debts	1,774	115.82	822	17.26	701	(80.59)	3,611	4,050.57	87	(75.70)	358	39.30
Loans and advances	1,025	(3.21)	1,059	14.98	921	35.84	678	56.94	432	28.57	336	158.46
Deposits and prepayments	39	50.00	26	(29.73)	37	2.78	36	(33.33)	54	8.00	50	31.58
Other receivables	2,807	152.43	1,073	34.13	800	35.82	589	(33.97)	892	44.34	618	(15.80)
Short term investments	10,335	(62.33)	27,433	44.70	18,959	1.11	18,750	(13.97)	21,794	81.31	12,020	77.60
Cash and bank balances	2,739	133.30	1,174	(13.80)	1,362	(63.67)	3,749	189.72	1,294	8.83	1,189	(69.11)
	27,215	(24.24)	35,884	36.30	26,327	(14.95)	30,954	12.00	27,637	60.47	17,223	15.46
TOTAL ASSETS	80,130	(7.47)	86,562	27.62	67,828	11.80	60,670	9.25	55,531	28.96	43,060	11.69

BALANCE SHEET ANALYSIS – ASSETS (%)

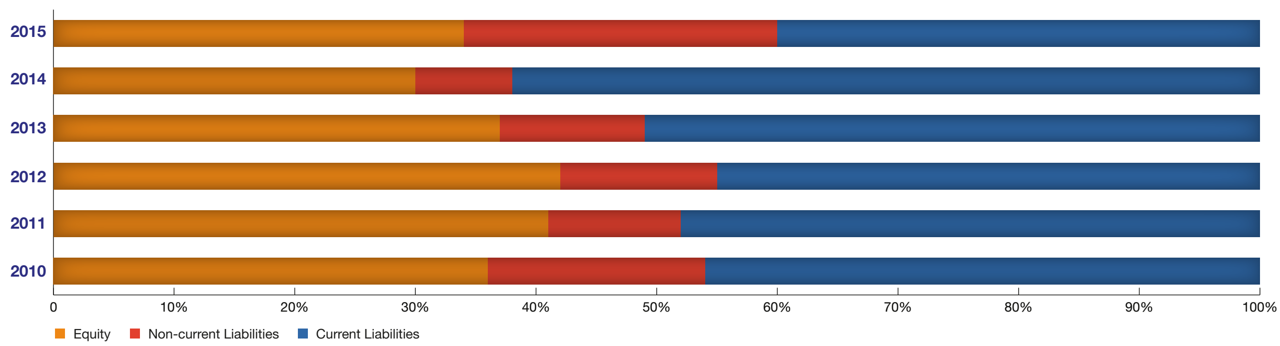


VERTICAL ANALYSIS
BALANCE SHEET

Rs. in million

	2015		2014		2013		2012		2011		2010	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	15.88	12,722	14.70	12,722	18.76	12,722	20.97	8,482	15.27	6,785	15.76
Capital reserve	160	0.20	160	0.18	160	0.24	160	0.26	160	0.29	160	0.37
Revenue reserves	14,429	18.01	12,788	14.77	12,269	18.09	12,885	21.24	14,039	25.28	8,502	19.74
	27,311	34.08	25,670	29.66	25,151	37.08	25,767	42.47	22,681	40.84	15,447	35.87
NON - CURRENT LIABILITIES												
Long term borrowings	15,893	19.83	2,500	2.89	4,280	6.31	3,870	6.38	2,704	4.87	3,819	8.87
Deferred liabilities	4,600	5.74	4,574	5.28	4,078	6.01	3,915	6.45	3,623	6.52	3,807	8.84
	20,493	25.57	7,074	8.17	8,358	12.32	7,785	12.83	6,327	11.39	7,626	17.71
CURRENT LIABILITIES												
Trade and other payables	8,114	10.13	37,904	43.79	21,854	32.22	16,126	26.58	12,330	22.20	9,023	20.95
Interest and mark - up accrued	268	0.33	30	0.03	22	0.03	25	0.04	80	0.14	138	0.32
Short term borrowings	18,021	22.49	11,603	13.40	7,000	10.32	4,990	8.22	8,735	15.73	5,641	13.10
Current portion of long term borrowings	4,510	5.63	1,780	2.06	1,460	2.15	1,434	2.36	1,616	2.91	1,759	4.09
Taxation	1,413	1.76	2,501	2.89	3,983	5.87	4,543	7.49	3,762	6.78	3,426	7.96
	32,326	40.34	53,818	62.17	34,319	50.60	27,118	44.69	26,523	47.76	19,987	46.42
TOTAL EQUITY AND LIABILITIES	80,130	100.00	86,562	100.00	67,828	100.00	60,670	100.00	55,531	100.00	43,060	100.00
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	21,382	26.68	20,094	23.21	18,444	27.19	17,819	29.37	17,051	30.69	15,934	37.00
Intangible assets	1,577	1.97	1,611	1.86	1,652	2.44	1,679	2.77	1,569	2.83	1,569	3.64
Log term investments	29,129	36.35	28,134	32.50	20,662	30.46	9,512	15.68	8,659	15.59	7,870	18.28
Long term loans & advances	814	1.02	823	0.95	740	1.09	701	1.16	606	1.09	455	1.06
Long term deposits & prepayments	13	0.02	16	0.02	3	-	5	0.01	9	0.02	9	0.02
	52,915	66.04	50,678	58.55	41,501	61.19	29,716	48.98	27,894	50.23	25,837	60.00
CURRENT ASSETS												
Stores, spares and loose tools	3,396	4.24	3,315	3.83	3,245	4.78	3,099	5.11	2,447	4.41	2,440	5.67
Stock in trade	5,100	6.36	982	1.13	302	0.45	442	0.73	637	1.15	212	0.49
Trade debts	1,774	2.21	822	0.95	701	1.03	3,611	5.95	87	0.15	358	0.83
Loans and advances	1,025	1.28	1,059	1.22	921	1.36	678	1.12	432	0.78	336	0.78
Deposits and prepayments	39	0.05	26	0.03	37	0.05	36	0.06	54	0.10	50	0.12
Other receivables	2,807	3.50	1,073	1.24	800	1.18	589	0.97	892	1.60	618	1.44
Short term investments	10,335	12.90	27,433	31.69	18,959	27.95	18,750	30.90	21,794	39.25	12,020	27.91
Cash and bank balances	2,739	3.42	1,174	1.36	1,362	2.01	3,749	6.18	1,294	2.33	1,189	2.76
	27,215	33.96	35,884	41.45	26,327	38.81	30,954	51.02	27,637	49.77	17,223	40.00
TOTAL ASSETS	80,130	100.00	86,562	100.00	67,828	100.00	60,670	100.00	55,531	100.00	43,060	100.00

BALANCE SHEET ANALYSIS – EQUITY & LIABILITIES (%)



HORIZONTAL ANALYSIS
PROFIT AND LOSS ACCOUNT

Rs. in million

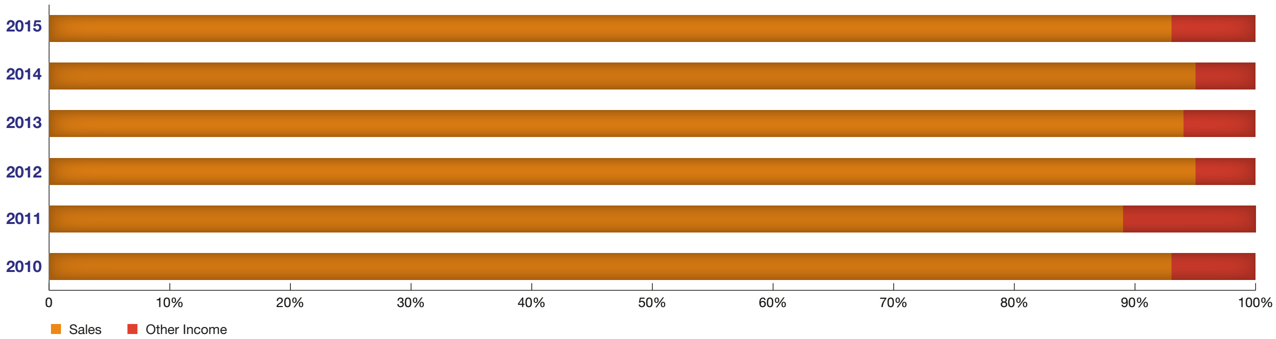
	2015 Rs.	15 Vs 14 %	2014 Rs.	14 Vs 13 %	2013 Rs.	13 Vs 12 %	2012 Rs.	12 Vs. 11 %	2011 Rs.	11 Vs. 10 %	2010 Rs.	10 Vs. 09 %
Sales	84,831	4.42	81,240	9.07	74,481	0.21	74,323	34.59	55,221	23.06	44,874	24.09
Cost of sales	55,949	11.59	50,137	25.50	39,949	4.31	38,300	83.50	20,872	(17.53)	25,310	23.37
Gross profit	28,882	(7.14)	31,103	(9.93)	34,532	(4.14)	36,023	4.87	34,349	75.57	19,564	25.03
Distribution cost	6,814	5.96	6,431	4.28	6,167	11.04	5,554	27.04	4,372	10.85	3,944	24.22
	22,068	(10.55)	24,672	(13.02)	28,365	(6.91)	30,469	1.64	29,977	91.91	15,620	25.23
Finance cost	1,475	73.73	849	12.30	756	(24.32)	999	27.10	786	(27.69)	1,087	15.03
Other expenses	2,284	(0.83)	2,303	(9.97)	2,558	(4.77)	2,686	1.17	2,655	92.95	1,376	8.18
	18,309	(14.92)	21,520	(14.10)	25,051	(6.47)	26,784	0.93	26,536	101.69	13,157	28.29
Other income	6,194	31.20	4,721	8.08	4,368	2.34	4,268	(35.63)	6,630	110.28	3,153	12.57
Net profit before taxation	24,503	(6.62)	26,241	(10.80)	29,419	(5.26)	31,052	(6.37)	33,166	103.35	16,310	24.91
Provision for taxation	7,737	(4.13)	8,070	(13.08)	9,284	(8.91)	10,192	(4.52)	10,674	102.12	5,281	24.73
Net profit after taxation	16,766	(7.73)	18,171	(9.75)	20,135	(3.48)	20,860	(7.26)	22,492	103.94	11,029	25.00

VERTICAL ANALYSIS
PROFIT AND LOSS ACCOUNT

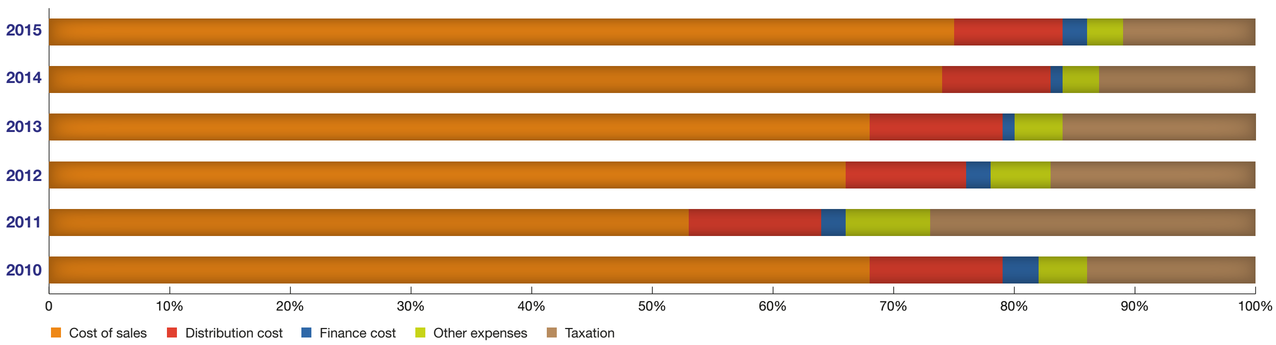
Rs. in million

	2015		2014		2013		2012		2011		2010	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Sales	84,831	100	81,240	100.00	74,481	100.00	74,323	100.00	55,221	100.00	44,874	100.00
Cost of sales	55,949	65.95	50,137	61.71	39,949	53.64	38,300	51.53	20,872	37.80	25,310	56.40
Gross profit	28,882	34.05	31,103	38.29	34,532	46.36	36,023	48.47	34,349	62.20	19,564	43.60
Distribution cost	6,814	8.03	6,431	7.92	6,167	8.28	5,554	7.47	4,372	7.92	3,944	8.79
	22,068	26.01	24,672	30.37	28,365	38.08	30,469	41.00	29,977	54.29	15,620	34.81
Finance cost	1,475	1.74	849	1.05	756	1.02	999	1.34	786	1.42	1,087	2.42
Other expenses	2,284	2.69	2,303	2.83	2,558	3.43	2,686	3.61	2,655	4.81	1,376	3.07
	18,309	21.58	21,520	26.49	25,051	33.63	26,784	36.04	26,536	48.05	13,157	29.32
Other income	6,194	7.30	4,721	5.81	4,368	5.86	4,268	5.74	6,630	12.01	3,153	7.03
Net profit before taxation	24,503	28.88	26,241	32.30	29,419	39.50	31,052	41.78	33,166	60.06	16,310	36.35
Provision for taxation	7,737	9.12	8,070	9.93	9,284	12.46	10,192	13.71	10,674	19.33	5,281	11.77
Net profit after taxation	16,766	19.76	18,171	22.37	20,135	27.03	20,860	28.07	22,492	40.73	11,029	24.58

PROFIT AND LOSS ANALYSIS – INCOME (%)



PROFIT AND LOSS ANALYSIS – EXPENSES (%)

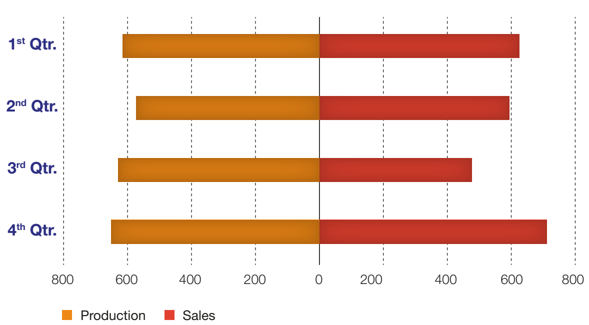


QUARTERLY ANALYSIS - 2015

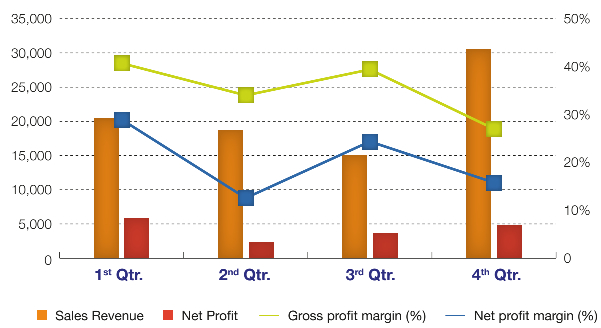
Rs. in million

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
Sales	20,409	18,778	15,108	30,536	84,831
Cost of sales	12,105	12,399	9,156	22,289	55,949
Gross profit	8,304	6,379	5,952	8,247	28,882
Distribution cost	1,581	1,588	1,809	1,836	6,814
	6,723	4,791	4,143	6,411	22,068
Finance cost	196	248	520	511	1,475
Other expenses	734	447	460	643	2,284
	5,793	4,096	3,163	5,257	18,309
Other income	2,445	488	1,435	1,826	6,194
Net profit before taxation	8,238	4,584	4,598	7,083	24,503
Provision for taxation	2,331	2,225	918	2,263	7,737
Net profit after taxation	5,907	2,359	3,680	4,820	16,766

QUARTERLY ANALYSIS
(Thousand Tonnes)



QUARTERLY ANALYSIS
(Rs. in million)



QUARTERLY ANALYSIS - 2015

QUARTER 1

PRODUCTION

The Company produced 615 thousand tonnes of urea, 4% higher than the corresponding quarter, with improved operating efficiency of 122% against 118% last year, mainly due to relatively lower gas curtailment during the quarter.

SALES, REVENUE AND INCOME

Higher product availability and increased urea demand resulted in 9% higher urea sales of 625 thousand tonnes during the period, translating into revenue generation of Rs. 20.41 billion. A new benchmark was also created by earning record other income (including dividend and investment income) of Rs 2.45 billion during the quarter.

OPERATING COSTS (COST OF SALES AND DISTRIBUTION COSTS)

The Company reported cost of sales of Rs. 12.10 billion, 20% higher compared to the same period last year mainly due to increase in GIDC besides enhanced production. Distribution cost at Rs. 1.58 billion marginally increased by 6% on account of general inflation.

PROFIT

Although gross profit margin decreased to 41% from 43% in the corresponding quarter due to absorption of increase in production costs, higher sales and record investment income translated into a net profit of Rs. 5.91 billion representing a 30% increase compared to the same period last year and the highest ever quarterly earnings generated by the Company.

NET ASSETS

Asset base of the Company reduced by 7% to Rs. 80.45 billion during the first quarter as short term investments were liquidated to pay off short term borrowings and distribute final dividend for the year 2014. Net assets however increased from Rs. 25.67 billion as at December 31, 2014 to Rs. 27.29 billion at the end of first quarter due to higher profitability.

QUARTER 2

PRODUCTION

Urea production for the second quarter stood at 573 thousand tonnes, down by 7% compared to the first quarter of 2015 owing to planned maintenance turnaround at Plant-II, although remaining fairly equal to 580 thousand tonnes produced in the corresponding quarter of last year.

SALES, REVENUE AND INCOME

Urea sales for the quarter were recorded at 594 thousand tonnes, lower by 5% compared to the previous quarter translating into an 8% decreased total revenue of Rs. 18.78 billion. Other income was registered at only Rs. 488 million as no dividend receipts from associated companies were received during the period.

OPERATING COSTS (COST OF SALES AND DISTRIBUTION COSTS)

Despite reduced sales, cost of sales at Rs. 12.40 billion marginally increased by 2% over the previous quarter mainly on account of the planned turnaround at Plant-II. Distribution cost at Rs. 1.59 billion was fairly in line with that of the previous quarter.

PROFIT

Reduced sales and added cost of maintenance turnaround, coupled with absence of dividend receipts and imposition of 3% Super Tax on last year's earnings translated into a net profit of Rs. 2.36 billion, 60% below the previous quarter and 35% lower than the corresponding quarter of last year.

NET ASSETS

Total assets decreased by 10% to Rs. 72.15 billion in comparison with the first quarter of 2015, primarily due to encashment of short term investments for payment of GIDC liability of Rs. 24.74 billion relating to previous years besides remittance of GIDC dues pertaining to the first two quarters of the current year. Net assets declined by 9% to Rs. 24.96 billion due to lower profitability and higher first interim dividend payout for 2015.

QUARTER 3

PRODUCTION

The Company produced 630 thousand tonnes of urea during the third quarter which was 6% higher than average output for the first two quarters of 2015 because of lower maintenance shutdown days and improved operating efficiencies. The Company also imported 135 thousand tonnes of DAP during the quarter.

SALES, REVENUE AND INCOME

The prices of feed / fuel gas were increased with effect from September 01, 2015. However, non-implementation of the Government's announcement of reduction in urea prices through reversal of increase in gas tariffs created market uncertainty negatively impacting urea offtake with sales of 477 thousand tonnes during the quarter, 22% below the average offtake for the first two quarters of 2015 and 19% lower than the corresponding quarter of last year.

Despite high levels of DAP imports, sales were registered only at 2 thousand tonnes during the quarter due to delayed implementation of the subsidy scheme announced by the Government on DAP sales under the 'Kissan Package'.

The lower offtake, coupled with suppressed selling prices translated into sales revenue of Rs. 15.11 billion, down by 23% compared to average revenue for the previous two quarters. Dividend income from associated companies of Rs. 1.03 billion, however, supported the Company's profitability.

OPERATING COSTS (COST OF SALES AND DISTRIBUTION COSTS)

Cost of sales for the third quarter were recorded at Rs. 9.16 billion witnessing a decrease of 25% compared to the average for the last two quarters mainly because of lower offtake of urea and a substantial unsold inventory of Rs. 11.35 billion. Distribution costs at Rs. 1.81 billion exhibited an increase of 14% over the average of previous quarters of the year mainly because of increased dispatches of urea to Company warehouses owing to lower direct sales from Plantsites.

PROFIT

Reduced operating margin and increased financing costs due to borrowings availed for payment of outstanding GIDC translated into net earnings of Rs. 3.68 billion which were 11% lower compared to the average for the previous two quarters and 23% lower than the corresponding quarter of last year.

NET ASSETS

Despite encashment of short term investments, asset base of the Company increased by 11% during the third quarter of 2015 to Rs. 79.88 billion mainly on account of increased stock in trade at the period end. Net assets also increased by 5% to Rs. 26.28 billion due to reduced second interim dividend of Rs. 1.75/share compared to the first interim dividend of Rs. 3.94/share.

QUARTER 4

PRODUCTION

The Company produced the highest amount of urea during the last quarter at 651 thousand tonnes, 8% higher than the average of the last three quarters and 3% higher than the corresponding quarter of last year translating into an aggregate urea production of 2,469 thousand tonnes, 3% higher than 2014 with a capacity utilization of 121%. The Company also imported 55 thousand tonnes of DAP during the quarter, resulting in total DAP imports during the year of 204 thousand tonnes.

SALES, REVENUE AND INCOME

Depressed sales during the third quarter were offset by an impressive offtake of 712 thousand tonnes of urea during the last quarter of the year as the Company absorbed a significant portion of the escalation in feed / fuel gas prices in order to boost urea sales. The Company also sold 149 thousand tonnes of DAP during the quarter supported by the subsidy of Rs. 500/bag provided by the Government on DAP sales generating a record total quarterly revenue of Rs. 30.54 billion, 69% higher than previous three quarters' average. Total revenue for the year thus stood at Rs. 84.83 billion with aggregate urea offtake of 2,408 thousand tonnes and DAP sales of 165 thousand tonnes.

Aggregate subsidy of Rs. 1.49 billion on DAP sales also augmented the Company's other income during the last quarter which stood at Rs. 1.83 billion.

OPERATING COSTS (COST OF SALES AND DISTRIBUTION COSTS)

Highest offtakes of urea and DAP during the last quarter of the year, coupled with the impact of increase in feed / fuel gas tariffs resulted in cost of sales of Rs. 22.29 billion, almost twice the average cost of sales of the last three quarters. Total cost of sales for the year stood at Rs. 55.95 billion with an increase of 12% from last year.

Distribution cost recorded at Rs. 1.84 billion was fairly in line with that of last quarter with total distribution cost for the year registered at Rs. 6.81 billion, witnessing a marginal increase of 6% compared to 2014.

PROFIT

Despite increase in gas costs, higher offtakes and subsidy income translated into a net profit of Rs. 4.82 billion, 21% higher than the average of the last three quarters translating into total net profit of Rs. 16.77 billion for the year, 8% below net earnings for last year.

NET ASSETS

Total assets of the Company at year end stood at Rs. 80.13 billion, almost equal to total assets at the end of the third quarter while 7% below last year mainly due to encashment of short term investments for payment of GIDC dues. Net assets increased from Rs. 26.28 billion as at September 30, 2015 to Rs. 27.31 billion at year end witnessing an increase of 4% due to increase in un-appropriated profits.

ANALYSIS OF VARIATION IN INTERIM RESULTS WITH FINAL ACCOUNTS

The Company recorded the highest gross profit margin in the first quarter at 41% which was reduced to 34% for the year due to higher cost of production in subsequent quarters. The first quarter also reported the highest ever quarterly net earnings supported by healthy dividend flows from associated companies. Payment of outstanding GIDC in the second quarter resulted in significant increase in finance costs in subsequent quarters resulting in a 74% increase on an annual basis. Record sales revenue coupled with subsidy income recognized in the last quarter mitigated the effect of increase in gas costs and tax burden during the second half of the year translating into a net profit of Rs. 16.77 billion for the year.

DIRECTORS' REPORT

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I welcome Lt Gen Shafqaat Ahmed, HI (M) (Retired) as the new Chief Executive & Managing Director of the Company.

With the rise in world population and projected increase in food demand, and in view of declining availability of cultivable land, the importance of fertilizer is forecast to gain substantial momentum for food production. With a urea market share of 48% in Pakistan, FFC is proud of its role of catering to the agricultural / food requirements of the Country.

Besides contributing towards food security, the indigenous fertilizer industry plays an integral role in saving precious foreign exchange through import substitution. Favourable Government policies are therefore vital not only for development of the Country's agricultural sector but also to avoid drainage of foreign exchange.

However, 2015 was a challenging year with incremental levies, increased gas costs and payment of GIDC obligation of around Rs. 25 billion during the year, resulting in suppressed Company margins, which were further impacted by depressed selling prices. Consequently, Company net earnings of Rs. 16.77 billion recorded a decline of 8% compared to last year, as opposed to a 33% increase in FFC's contribution to the National Exchequer of around Rs. 60 billion during the year.

In order to maintain a steady stream of income for the shareholders, the Board is pleased to announce final dividend of Rs 3.42 per share, aggregating to annual payout of 90%, including interim distributions of Rs 8.44 per share.

I am pleased to announce that Fauji Fresh n Freeze Limited has attained commercial production on January 01, 2016, with shipments of its products to the international market besides successful launch of its Individually Quick Freeze (IQF) product portfolio in the local market. As is customary with new projects, FFF profit margins are forecast to grow gradually, and we are confident that our pioneering food business initiatives shall yield incremental payback to the shareholders over the long term.

Company's subsidiary FFC Energy Limited reported net earnings of Rs. 591 million during the year, with average availability of plant being recorded at 96% through supply of 109 GWh to the national grid, valued at Rs. 2.51 billion.

To mitigate the challenges posed by adverse business conditions and receding profitability margins, the Company has undertaken various measures for efficiency enhancement, and the Board is confident that our local and offshore diversification initiatives shall complement Company profitability for sustained shareholders' returns.

Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar (Retired)
Chairman
Rawalpindi
January 27, 2016

ڈائریکٹرز رپورٹ

چیئرمین کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں، لیفٹیننٹ جنرل شفقات احمد ،ہلال امتیاز (ملٹری) (ریٹائرڈ) ،کو کمپنی کے نئے چیف ایگزیکٹو اور مینجنگ ڈائریکٹر منتخب ہونے پر خوش آمدید کہتا ہوں۔

دنیا کی بڑھتی ہوئی آبادی اور خوراک کی طلب میں متوقع اضافے کے ساتھ، اور قابل زراعت زمین میں بتدریج کمی کے مد نظر، خوراک کی پیداوار بڑھانے کے لئے کھاد کی افادیت میں قابل قدر اضافے کی پیشینگوئی ہے۔ پاکستان کی یوریا مارکیٹ میں 48 فیصد حصے کے ساتھ، FFCملک کی زرعی اور خوراک کی ضروریات پورا کرنے میں اپنے کردار پر فخر کرتی ہے۔

خوارک کی فراہمی کو یقینی بنانے کے ساتھ ساتھ ،کھاد کی مقامی صنعت ، ملک کو قیمتی زرمبادلہ کی بچت میں ، درآمدات کے متبادل کے طور پر بھی انتہائی اہم کردار ادا کر رہی ہے۔چنانچہ سازگار حکومتی پالیسیاں، ملکی زراعت کی ترقی کے ساتھ ساتھ زرمبادلہ کی بچت کے لیے بھی انتہائی اہم ہیں ۔

تاہم، اضافی محصولات ، بڑھتی ہوئی گیس قیمتوں اور تقریباً 25 ارب روپے کی GIDCکی ادائیگی کی وجہ سے 2015 ایک نہایت مسابقتی سال تھا۔ جس کی وجہ سے کمپنی کے مارجنز دباؤ میں رہے جو کہ کھاد کی گرتی ہوئی قیمت فروخت کی وجہ سے پہلے ہی کمی کا شکار تھے۔ نتیجتاً، کمپنی کی16.77 ارب کی خالص آمدنی میں گزشتہ برس کے مقابلے میں 8فیصد کمی آئی۔ جبکہ اس کے برعکس کمپنی نے قومی خزانے میں 33 فیصد اضافے کے ساتھ دوران سال تقریباً 60 ارب روپےContribute کرائے۔

اپنے حصہ داروں کے لیے ایک مستحکم اور مستقل آمدنی کو یقینی بنانے کے لیے بورڈ انتہائی مسرت کے ساتھ، سال 2015کے لیے 3.42روپے کی فی حصص کے حتمی منافع کااعلان کرتا ہے۔ جس کی وجہ سے مجموعی سالانہ ادائیگی، بشمول 8.44روپے فی حصص عبوری ادائیگی، 90 فیصد بن جاتی ہے۔

مجھے اس بات کا اعلان کرتے ہوئے بھی نہایت خوشی محسوس ہو رہی ہے کہ Fauji Fresh n Freeze (FFF) نے اپنی مصنوعات کی بین الاقوامی منڈیوں کو ترسیل کرتے ہوئے یکم جنوری 2016 کو تجارتی پیداوار شروع کر دی ہے۔ اور اس کے ساتھ ساتھ مقامی مارکیٹ میں اپنی IQF مصنوعات بھی کامیابی کے ساتھ متعارف کرا دی ہیں۔ جیسا کے روایتی طور پر نئے منصوبوں میں ہوتا ہے،FFFکے منافع میں بھی بتدریج اضافہ متوقع ہے اور ہمیں یقین ہے کہ خوراک کے میدان میں ہمارا سرخیل منصوبہ ہمارے حصہ داروں کے لیے اضافی اور دیرپا منافع کا ذریعہ بنے گا۔

کمپنی کے ذیلی ادارے FFC Energy نے سال 2015کے دوران 591ملین روپے کا خالص منافع کمایا ہے۔دوران سال کمپنی نے 2.51 ارب روپے مالیت کی 109 GWh بجلی نیشنل گرڈ کو فراہم کی جبکہ پلانٹ کی اوسط استعداد 96فیصد رہی۔

مشکل کاروباری حالات کا مقابلہ کرنے کے لیے اور کم ہوتے ہوئے نفع کے پیش نظر، کمپنی نے کارکردگی بڑھانے کے لیے متعدد اقدامات کیے ہیں اور بورڈ کو مکمل یقین ہے کہ ہمارے مقامی اور بیرون ملک کیے گئے اقدامات کمپنی اور حصہ داروں کے منافع کو بڑھانے میں مدد دیں گے۔

لیفٹیننٹ جنرل خالد نواز خان
ہلال امتیاز (ملٹری)، ستارۂ ایثار (ریٹائرڈ)
چیئرمین
راولپنڈی
27 جنوری 2016

CE & MD's REMARKS

Let me, at the outset offer my gratitude to the shareholders for reposing trust in me, through my appointment as the CE & MD of the prestigious Fauji Fertilizer Company Limited. On my part, I assure you of my commitment to focus all my faculties to run the Company affairs in the most befitting manner.

I must also acknowledge the outstanding contributions of my predecessor Lt Gen Naeem Khalid Lodhi HI (M) (Retired), whose efforts led to the growth of the Company's business.

I am pleased to report exceptional performance of our manufacturing facilities with the second highest urea production ever of 2,469 thousand tonnes, despite gas curtailment and an extended maintenance turnaround of Plant-II during 2015. The Company remains firmly committed towards efficiency enhancement besides restoration of its originally allocated gas quota for increased Company output and profitability.

FFC also achieved a new benchmark in terms of highest ever sales revenue of Rs. 84.83 billion with imported fertilizer sales of 181 thousand tonnes, besides 2% higher urea offtake, despite excessive urea imports by the Government resulting in an oversupplied urea market, and pending implementation of the Government's announcement for reduction in urea prices, through reversal of the gas price escalation during the year.

Our culture of efficiency and professionalism resulted in further achievements in terms of recognition for transparent reporting, good governance and corporate philanthropy, from ICAP / ICMAP, RCCI and the Pakistan Centre for Philanthropy, besides international recognition from the South Asian Federation of Accountants (SAFA).

Notwithstanding achievement of major targets for the year 2015, Company profitability was severely impacted by additional tax burden in terms of Super Tax and incremental dividend taxation, resulting in net earnings of Rs. 16.77 billion, 8% below last year. Other factors attributable to reduction in margins include pricing constraints leading to significant absorption of feed / fuel gas costs escalation during the year, in addition to increased financing costs associated with retirement of the GIDC obligation.

In order to improve profitability, the Company carried out an Internal Costs Review Process and we have implemented various austerity measures for costs economization, besides enhancement of efficiencies and productivity.

Significant progress was also made during the year in respect of the Tanzania fertilizer project. FFC, together with its international consortium partners, successfully executed a long term Joint Venture Agreement with the state owned Tanzania Petroleum Development Corporation (TPDC) in September 2015, paving the way forward for project development.

Going forward, implementation of incremental levies, the prevailing adverse market conditions including an oversupplied urea market and excessive gas costs, pose additional challenges to the Company.

We are however confident that through the persistent efforts of our team of professionals, the support of the Board and our stakeholders, and projected returns from our diversification initiatives, we shall continue to add more chapters to the successful history of the Company.

Lt Gen Shafqaat Ahmed
HI (M), (Retired)
Chief Executive & Managing Director
Rawalpindi
January 27, 2016

چیف ایگزیکٹو اور مینجنگ ڈائریکٹر کا تبصرہ

سب سے پہلے تو میں اپنی FFC کی Chief Executive & Managing Director کی تقرری پر shareholders کا اظہار تشکر کرنا چاہتا ہوں۔ اور میں آپ کو یقین دلاتا ہوں کہ میں اپنی تمام تر صلاحیتوں کو بروئے کار لاتے ہوئے کمپنی کے معاملات کو نہایت احسن انداز میں چلانے کی کوشش کروں گا۔

میں اس موقع پر اپنے پیشرو لیفٹیننٹ جنرل نعیم خالد لودھی، ہلال امتیاز (ملٹری) (ریٹائرڈ) کو خراج تحسین پیش کرتا ہوں جن کی غیر معمولی خدمات کی بدولت کمپنی کے کاروبار میں مزید وسعت پیدا ہوئی۔

مجھے یہ بیان کرتے ہوئے انتہائی خوشی ہو رہی ہے کہ کمپنی نے سال 2015 میں 2.469 ملین ٹن یوریا بنا کر اپنی تاریخ کی دوسری بلند ترین پیداوار حاصل کی۔ جو کہ گیس ترسیل میں کمی اور پلانٹ II کے Turnaround کے باوجود یقیناً ایک بہت بڑی کامیابی ہے۔اس کے ساتھ ساتھ کمپنی اپنا اصل گیس کوٹہ بحال کرانے کی کوششوں کے علاوہ استعداد کو بہتر بنانے کے طریقوں پر بھی سختی سے کاربند ہے تاکہ پیداوار اور منافع کو زیادہ سے زیادہ بڑھایا جا سکے۔

سال 2015 میں 84.83 ارب روپے کی ریکارڈ آمدن حاصل کر کے FFC نے ایک اور اہم سنگ میل عبور کیا۔ جس میں درآمدی کھادوں کی فروخت 181 ہزار میٹرک ٹن رہی ۔ حکومت کی اضافی یوریا درآمدات اور یوریا کھاد کی قیمتوں میں کمی کے سرکاری اعلان میں تاخیر ،جو کہ گیس کی قیمتوں میں اضافے کی واپسی کے ذریعے ہونا تھی، کی وجہ سے یوریا منڈی زائد رسد کی حالت میں رہی ۔ تاہم ان تمام رکاوٹوں کے باوجود کمپنی نے گزشتہ برس کے مقابلے میں2 فیصد زائد کھاد فروخت کی۔

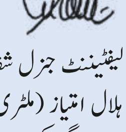
ہماری پیشہ ورانہ اہلیت کے اعلیٰ معیار کے باعث کمپنی کو شفاف رپورٹنگ، عمدہ Governance اور عطیاتی خدمات کی وجہ سے ICAP/ICMAP، RCCI اورPCP جیسے اداروں سے مزید اعزازات حاصل ہوئے۔ جس کے ساتھ ساتھ بین الاقوامی ادارے SAFA کی جانب سے بھی کمپنی کی کارکردگی کو پذیرائی حاصل ہوئی۔

2015 میں حاصل کیے گئے تمام مقاصد کے باوجود، سپر ٹیکس اور Dividend پر اضافی ٹیکس کی وجہ سے کمپنی کا منافع شدید متاثر ہو کر 16.77 ارب روپے رہا جو کہ گزشتہ برس کے مقابلے میں 8 فیصد کم تھا۔ نفع میں کمی کا باعث بننے والے دیگر عناصر میں قیمتوں کے تعین میں مشکلات اور اضافی مالیاتی لاگت شامل تھے جو کہ فیڈ اور فیول گیس کی قیمتوں میں اضافے کو جذب کرنے اور GIDC کی ادائیگی کی وجہ سے تھے۔

منافع میں بہتری کے لیے کمپنی نے جاری اخراجات کے اندرونی جائزے کے ذریعے اخراجات کو محدود کرنے کے لیے سادگی کو فروغ دیا ہے اور اس کے ساتھ ساتھ کارکردگی اور پیداوار کو بڑھانے کے منصوبوں پر بھی عمل درآمد جاری ہے۔

تنزانیہ میں کھاد کی صنعت لگانے پر قابل قدر پیشرفت ہوئی ہے۔ ستمبر 2015 میں FFC نے اپنے بین الاقوامی شراکت داروں کے ساتھ مل کر تنزانیہ کے سرکاری ملکیتی ادارے (TPDC) کے ساتھ ایک طویل المیعاد مشترکہ منصوبے کا معاہدہ کر لیا ہے جس سے پراجیکٹ پر عمل درآمد کی راہ مزید ہموار ہو گئی ہے۔

آئندہ سالوں میں اضافی ٹیکسوں کے نفاذ، موجودہ ناسازگار کاروباری حالات، بشمول کھاد کی اضافی رسد اور بڑھتی ہوئی گیس قیمتوں کے باعث مزید مشکلات کا سامنا کرنا پڑ سکتا ہے۔ لیکن ہمیں اعتماد ہے کہ ہمارے ماہرین کی بھرپور کاوشوں، بورڈ اور شراکت داروں کی حمایت اور نئے منصوبوں کے متوقع منافع کے ساتھ ہم کمپنی کی کامیابیوں کی شاندار تاریخ میں نئے ابواب کا اضافہ کریں گے۔



لیفٹیننٹ جنرل شفقات احمد
ہلال امتیاز (ملٹری) (ریٹائرڈ)
چیف ایگزیکٹو و مینجنگ ڈائریکٹر
راولپنڈی
27 جنوری 2016

FINANCIAL REVIEW

MACRO-ECONOMIC OVERVIEW

Pakistan's economy witnessed GDP growth of 4.2%, the highest during the past seven years, with improved performance by the commodities and services sectors.

AGRICULTURE SECTOR

Agriculture, being the mainstay of the economy, contributes around 21% to the GDP, playing a vital role in providing livelihood to the farming community besides supporting other sectors and generating foreign exchange for the Country.

During the outgoing fiscal year, the agricultural sector recorded a modest growth of 2.9%, on account of weak progression in all major sub-sectors including crops, livestock and forestry.

FISCAL DEVELOPMENT

Pakistan's fiscal deficit showed some signs of improvement at 5.3% as compared to 5.5% last year, because of increased tax collection and expenditure management by the Government.

INVESTMENTS

Improved investor confidence led to an increase in total investment from Rs. 3,756 billion in 2014 to Rs. 4,140 billion during the outgoing year, constituting 15% of GDP. Major inflows were witnessed in oil & gas, communications, power and chemical sectors. Foreign Direct Investment (FDI) stood at US $ 2.00 billion for the year compared to US $ 1.87 billion during last year.

MONEY AND CREDIT

In the wake of rapid decline in international oil and other commodity prices, trade balance improved on account of reduction in import bill. In order to further boost the economy, State Bank of Pakistan eased its monetary policy stance, reducing the discount rate from 10% in October 2014 to 6% in September 2015.

INFLATION

Inflation was recorded at 4.8%, witnessing a decline of 3.9% compared to the preceding year primarily due to fall in international and local oil and food prices, supported by lower devaluation in exchange rate, better production of minor crops and vigilant monitoring of prices both at federal and provincial levels.

CURRENCY DEVALUATION

Despite improvement in the Country's foreign exchange reserves primarily due to disbursements amounting to US $ 2.11 billion received under IMF's extended fund facility, the Pakistani Rupee recorded a depreciation of about 4.2% during the year, owing to delays in review of IMF Program, political uncertainty and market speculation.

FFC PERFORMANCE

PROFIT AND LOSS ANALYSIS

The Company surpassed its targets for the year except for the uncontrollable burden of additional taxation and adverse market conditions leading to absorption of escalation in feed / fuel gas costs, besides incremental finance costs associated with retirement of GIDC obligation, resulting in **net of tax profitability** of Rs. 16.77 billion, 8% below net earnings for last year.

Sona urea production by the three plants stood at 2,469 thousand tonnes, 3% higher than last year with a capacity utilization of 121%, because of improved efficiencies and relatively lower gas curtailment compared to last year.

Sona urea offtake was recorded at 2,408 thousand tonnes witnessing an increase of 2% compared to last year, despite an oversupplied market, due to customer loyalty with the Sona brand. The Company also sold 165 thousand tonnes of **FFC DAP**, 34% higher than 2014.

Combined FFC / FFBL **urea market share** stood at 48% compared to 46% last year whereas aggregate DAP market share was recorded at 50% against 49% during 2014. (Source: NFDC).

Urea sales revenue was registered at an **all-time high** of Rs. 74.63 billion with an increase of 3% from last year due to higher urea offtake. Net average selling prices of urea however remained suppressed and the Company had to absorb a significant portion of the feed / fuel gas prices increase effective from September 1, 2015, to boost the decline in urea sales due to non-implementation of the Government's announcement of reduction in urea prices through reversal of increase in gas tariffs. **Imported fertilizer revenues** were registered at an **all-time record** of **Rs. 10.20 billion** supported by subsidy of Rs. 500/bag on DAP provided by the Government.

Cost of sales for the year were recorded at Rs. 55.95 billion with an increase of 12% from last year mainly due to substantial increase in feed / fuel gas prices by the Government, higher urea / DAP offtake and increased repair & maintenance cost, besides the impact of inflation.

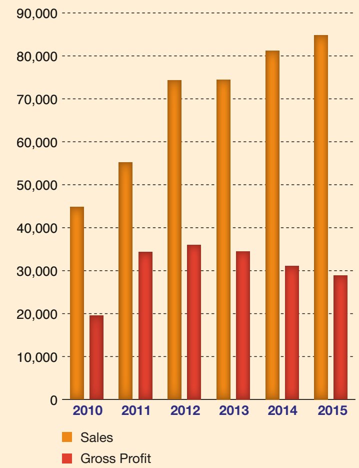
Gross profit of the Company resultantly declined by 7% to Rs. 28.88 billion compared to Rs. 31.10 billion during last year.

Distribution costs of Rs. 6.81 billion registered a marginal increase of 6% only, due to transportation of higher urea and imported fertilizer quantities during the year, besides increased dispatches of urea to Company warehouses owing to lower direct sales from Plantsites.

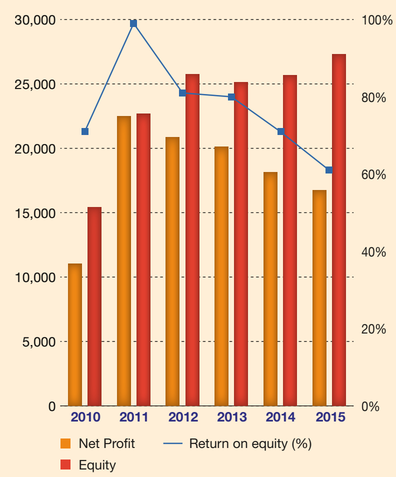
Finance cost was recorded at Rs. 1.47 billion compared to Rs. 849 million last year, as a result of higher long / short term borrowings during the period, for retirement of Rs. 24.74 billion of outstanding GIDC obligation, besides increased working capital financing due to decline in cash generation caused by adverse market conditions during second half of the year.

Despite historic reduction in discount rates and substantial encashment of investments for GIDC remittances, **highest ever income on investments** was recorded at Rs. 1.98 billion, with an increase of 7% compared to last year owing to efficient treasury management, augmenting Company profitability by around 8%. **Other**

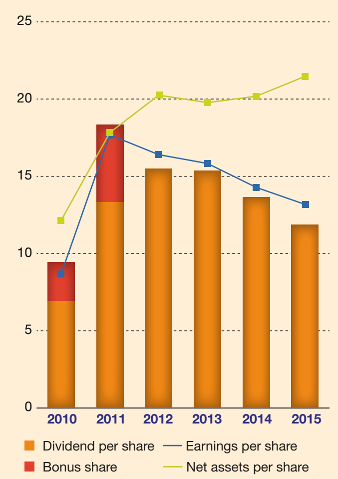
PROFITABILITY
(Rs. in million)



NET PROFIT ANALYSIS
(Rs. in million)



PER SHARE ANALYSIS – Restated
(Rupees per share)



FINANCIAL REVIEW

income included subsidy of Rs. 1.49 billion receivable from the Government under the 'Kissan Package' on sale of DAP fertilizer.

Dividend income was recorded at Rs. 2.72 billion, registering an increase of 5% over last year mainly due to higher receipts from AKBL and FCCL, more than compensating the decline in distribution by FFBL.

Imposition of 3% Super Tax on net earnings for 2014 and incremental dividend taxation negatively impacted Company profitability by around Rs. 850 million, offsetting the 1% reduction in the rate of **corporate taxation** during the year, with an overall tax charge of Rs. 7.74 billion during 2015.

Resultantly, the Company achieved **earnings per share** of Rs. 13.18, 8% below last year due to suppressed urea prices, higher financing costs and additional tax burden.

FINANCIAL POSITION ANALYSIS

Net worth of the Company as at December 31, 2015 stood at Rs. 27.31 billion translating into a breakup value of Rs. 21.47 per share, with a growth of 6% due to increase in **un-appropriated profit** from Rs. 5.68 billion for 2014 to Rs. 7.09 billion in 2015, in addition to a net valuation gain of Rs. 231 million on available for sale investments reported in the Statement of Comprehensive Income.

Long term debt witnessed a substantial increase from Rs. 2.50 billion to Rs. 15.89 billion, in order to partly finance the GIDC obligation of Rs. 24.74 billion.

Trade payables registered a significant decline from Rs. 37.90 billion to Rs. 8.11 billion mainly because of settlement of the outstanding GIDC obligation during the year.

Current portion of long term loans also increased to Rs. 4.51 billion due to higher borrowings during the year for retirement of GIDC obligation.

Contingencies include a penalty of Rs. 5.50 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 the CCP. The Company has filed an appeal before the Competition Appellate Tribunal and is confident of a favourable decision.

Financial commitments of the Company at year end amounted to Rs. 1.90 billion comprising of purchase of goods and services and capital expenditure, as detailed in the relevant notes to the financial statements.

Property, plant & equipment increased by 6% to Rs. 21.38 billion mainly on account of additions in plant and machinery including catalysts for plants.

Further equity injection of Rs. 400 million in FFF and purchase of Government securities led to increase in **long term investments** by 4% to Rs. 29.13 billion.

Stock in trade increased from 37 thousand tonnes of urea in 2014 to 98 thousand tonnes at the end of 2015, whereas imported fertilizers stock stood at 55 thousand tonnes, with an aggregate value of Rs. 5.10 billion, mainly due to higher production / import of urea and other fertilizers, and depressed market conditions during the year.

Non-implementation of the Government's announcement to reduce urea prices resulted in market uncertainty and decline in urea offtake, which led to increased marketing of urea on credit to offload urea inventories, with aggregate **trade debts** of Rs. 1.77 billion at close of the year compared to Rs. 0.82 billion last year.

Other receivables increased to Rs. 2.81 billion mainly due to the subsidy of Rs. 1.49 billion receivable from the Government under the 'Kissan Package' on DAP sales.

Short term investments of the Company reduced from Rs. 27.43 billion in 2014 to Rs. 10.33 billion at the end of 2015, mainly due to encashment during the year to finance outstanding GIDC obligation and working capital requirements of the Company.

Overall **asset base** of the Company decreased by Rs. 6.43 billion to Rs. 80.13 billion, primarily due to settlement of GIDC obligation through liquidation of short term investments.

مالیاتی جائزہ

ایف ایف سی کی کارکردگی

مالی نتائج کا تجزیہ

کمپنی نے اپنے تمام سالانہ اہداف حاصل کیے علاوہ اضافی ٹیکسوں کے بوجھ اور ناموافق کاروباری حالات کے جو کہ نا صرف فیڈ اور فیول گیس کی قیمتوں میں اضافے کے انجذاب کا باعث بنے بلکہ GIDC کی ادائیگی سے ملحقہ اضافی مالیاتی لاگت کا بھی سبب بنے نتیجتاً کمپنی کا خالص بعد از ٹیکس منافع گزشتہ برس کے مقابلے میں 8 فیصد کمی کے ساتھ 16.77 ارب روپے رہا۔

ہمارے تینوں پلانٹس کی سونا یوریا کی مجموعی پیداوار2,469 ہزار ٹن رہی جو کہ گزشتہ برس کے مقابلے میں 3 فیصد زائد ہے جبکہ استعداد کار 121 فیصد رہی۔ بہتری کی وجہ ، اچھی کارکردگی اور گزشتہ برس کے مقابلے میں نسبتاً کم گیس تخفیف تھی۔

خریداروں کے سونا یوریا پر اعتماد کی وجہ سے زائد رسد مارکیٹ کے باوجود کمپنی نے گزشتہ برس کی فروخت سے2 فیصد کا اضافہ کرتے ہوئے 2,408 ہزار ٹن سونا یوریا کھاد فروخت کی۔ اس کے علاوہ کمپنی نے 165 ہزار ٹن FFC DAP کھاد بھی فروخت کی جو کہ گزشتہ برس کے مقابلے میں 34 فیصد زائد تھی۔

FFC اور FFBL کا یوریا مارکیٹ میں مجموعی حصہ 48 فیصد رہا جو کہ گزشتہ برس 46 فیصد تھا۔ جبکہ DAP مارکیٹ میں اجتماعی حصہ گزشتہ برس 49 فیصد کے مقابلے میں اس سال 50 فیصد رہا (ماخذ: NFDC)

یوریا کی فروخت سے ریکارڈ ساز 74.63 ارب روپے کی آمدن حاصل ہوئی جو کہ گزشتہ برس کی آمدن سے 3 فیصد زائد رہی اور اس کا سبب فروخت کی نسبتاً زیادہ مقدار تھی۔ تاہم یوریا کی اوسط قیمت فروخت دباؤ کا شکار رہی اور یکم ستمبر 2015 کے بعد فیڈ اور فیول گیس کی قیمتوں میں اضافے کا بڑا حصہ کمپنی کو خود برداشت کرنا پڑا تاکہ گرتی ہوئی فروخت کو بڑھایا جا سکے جو کہ حکومت کی جانب سے گیس ٹیرف میں اضافے کی واپسی کے ذریعے یوریا کی قیمتوں میں کمی کے اعلان کے پورا نہ ہونے کی وجہ سے وقوع پذیر ہوئی۔ درآمدی کھاد کی فروخت سے بھی کمپنی نے 10.20 ارب روپے کی تاریخ ساز آمدن حاصل کی اس میں حکومت کی جانب سے DAP پر دی جانے والی 500 روپے فی بوری سبسڈی کا بھی کردار تھا۔

کھاد کی فروخت پر آنے والی لاگت 55.95 ارب روپے درج کی گئی جو کہ گزشتہ برس کے مقابلے میں 12 فیصد زائد تھی اور اس کی وجوہات میں مہنگائی کے علاوہ، حکومت کی جانب سے فیڈ اور فیول گیس کی قیمتوں میں غیر معمولی اضافہ ، یوریا اور DAP کی زائد فروخت اور repair & maintenance پر کی جانے والی زائد لاگت شامل ہیں۔

اوپر بیان کیے گئے عوامل کے نتیجے میں کمپنی کے 28.88 ارب روپے کے مجموعی منافع میں گزشتہ برس حاصل ہونے والے 31.10 ارب روپے کے مقابلے میں 7 فیصد کمی ہوئی۔

اگرچہ کمپنی کی پلانٹس سے براہ راست فروخت میں کمی کے باعث گوداموں میں زیادہ مقدار میں یوریا بھیجا گیا تاہم distribution کی لاگت میں صرف 6 فیصد کا معمولی اضافہ دیکھنے میں آیا اور اس کا سبب زیادہ مقدار میں یوریا اور درآمدی کھاد کی فروخت تھی۔

مالیاتی لاگت جو کہ 2014 میں 849 ملین روپے تھی، 2015 میں اس کا حجم بڑھ کر 1.47 ارب روپے تک جا پہنچا اور اس کا سبب طویل اور مختصر مدت کے لیے لیے گئے قرضہ جات، جو کہ 24.74 ارب روپے قابل ادائیگی GIDC کے علاوہ working capital کو پورا کرنے کے لیے حاصل کیے گئے تھے کیونکہ ناموافق کاروباری حالات کی وجہ سے سال کے دوسرے حصے میں ترسیلات میں کمی واقع ہو گئی تھی۔

Discount rate میں تاریخی کمی اور GIDC کی ادائیگی کے لیے بینک ڈیپازٹ / سرمایہ کاری کی کثیر فروخت کے باوجود ، کمپنی نے سرمایہ کاری پر 1.98 ارب روپے کی تاریخی آمدن حاصل کی۔ جو کہ گزشتہ برس کے مقابلے میں 7 فیصد زائد تھی اور اس نے کمپنی کے منافع میں 8 فیصد کا اضافہ کیا اور اس کا سبب کمپنی کے خزانے کا عمدہ انتظام تھا۔ دیگر آمدن میں DAP کھاد کی فروخت پر حکومت کی جانب سے کسان پیکج کے تحت دی جانے والی 1.49 ارب روپے کی قابل وصول رقم شامل ہے۔

Dividend سے حاصل ہونے والی آمدن گزشتہ برس کے مقابلے میں 5 فیصد اضافے کے ساتھ 2.72 ارب روپے رہی۔ اس کی اصل وجہ AKBL اور FCCL سے اضافی آمدن تھی جو FFBL سے وصولی میں ہونے والی کمی سے کہیں زیادہ تھی۔

2014 کی خالص آمدن پر 3 فیصد سپر ٹیکس اور dividend سے حاصل ہونے والی آمدن پر اضافی ٹیکس کے نفاذ کی وجہ سے، دوران سال کارپوریٹ ٹیکس میں ہونے والی 1 فیصد کمی کا خاطر خواہ فائدہ نہ ہو سکا اور سال 2015 کے دوران کمپنی کے ٹیکس کا مجموعی خرچہ 7.74 ارب روپے رہا۔

نتیجے کے طور پر حاصل ہونے والی 13.18 روپے فی حصص آمدن گزشتہ برس کے مقابلے میں 8 فیصد کمی کا شکار ہوئی جس کا سبب یوریا کی قیمتوں میں کمی، زائد مالی لاگت اور ٹیکسوں کا اضافی بوجھ تھا۔

مالیاتی جائزہ

مالی حیثیت کا تجزیہ

31دسمبر 2015 کو کمپنی کی net worth 6فیصد اضافے کے ساتھ 27.31 ارب روپے تھی جو کہ 21.47روپے فی حصص بنتی ہے۔اور اس کا سبب un-approriated منافع میں اضافہ تھا جو کہ سال 2014 میں 5.68 ارب روپے سے بڑھ کر سال 2015میں 7.09 ارب روپے تک جا پہنچا۔ اس کے علاوہ قابل فروخت سرمایہ کاریوں میں 231 ملین روپے کا net valuation gain بھی Statement of Comprehensive Income میں درج کیا گیا ہے۔

طویل مدت کے قرضہ جات میں غیر معمولی اضافہ دیکھنے میں آیاجو کہ 24.74 ارب روپے کی GIDC کی ادائیگی کی وجہ سے 2.50ارب روپے سے بڑھ کر 15.89 ارب روپے تک جا پہنچے۔

دورانِ سال GIDC کی ادائیگی کی وجہ سے trade payablesمیں نمایاں کمی واقع ہوئی جو کہ 37.94 ارب روپے سے کم ہو 8.11 ارب روپے کی سطح پر آ گئے۔

طویل مدت کے قرضہ جات کا اگلے ایک سال میں قابل ادائیگی حصہ بڑھ کر4.51ارب روپے ہو گیا اور اس کا سبب بھی GIDC کی ادائیگی کے لیے حاصل کیے گئے اضافی قرضہ جات تھے۔

Contingencies میں Competition Commission of Paksitan (CCP) کی طرف سے 2013 میں لگایا گیا 5.5 ارب روپے کا جرمانہ شامل ہے جو کہ 2011میں یوریا کی قیمتوں میں غیر موزوں اضافے کے الزامات کی بنیاد پر لگایا گیا۔ جبکہ گیس کی فراہمی میں کمی کے باعث یوریا کی پیداوار میں ہونے والی کمی، درآمدات میں تاخیر اور دیگر کاروباری حرکیات جیسے حقائق کو CCP نے نظر انداز کر دیا۔ کمپنی نے Competition Appellate Tribunal کے ساتھ نظر ثانی کی درخواست دائر کر دی ہے اور ایک خوش آئند فیصلے کے لیے پر امید ہے۔

Financial commitments، سال کے اختتام پر ، 1.90ارب روپے تھی اور ان کی تفصیلات financial statements کے متعلقہ صفحات میں بیان کر دی گئی ہیں۔

Property, plant & equipment 6فیصد اضافے کے ساتھ 21.38 ارب روپے تک جا پہنچے اور اس کی وجہ پلانٹ اور مشینری بشمول catalysts کی خریداری ہے۔ مزید بر آں FFF کی equityمیں 400 ملین روپے کی سرمایہ کاری اور Government securities کی خریداری کے باعث long term investments کی مالیت 4 فیصد اضافے کے ساتھ 29.13 ارب روپے رہی۔

Stock in trade سال 2014 میں 37 ہزار ٹن یوریا کی سطح سے بڑھ کر سال 2015 کے اختتام پر 98 ہزار ٹن یوریا رہا۔جبکہ درآمدی کھادوں کا سٹاک 55 ہزار ٹن رہا اور اس کی مجموعی مالیت 5.10 ارب روپے تھی۔ اس اضافے کا اصل سبب زیادہ پیداوار ، یوریا اور دیگر کھادوں کی اضافی درآمدات اور ناموافق کاروباری حالات تھے۔

یوریا کی قیمتوں میں کمی کے حکومت اعلان پر عملدرآمد نہ ہونے کے باعث منڈی میں غیر یقینی صورت کے سبب یوریا کی فروخت میں کمی واقع ہوئی۔ چنانچہ فروخت میں اضافے کے لیے زیادہ مقدار میں یوریا ادھار پر بیچا گیا نتیجتاً trade debts گزشتہ برس 0.28 ارب روپے سے بڑھ کے 1.77 ارب روپے تک جا پہنچے۔

حکومت کی جانب سے کسان پیکج کے تحت DAP پر دی جانے والی 1.49 ارب روپے کی سبسڈی کے باعث other receivables بڑھ کر 2.81 ارب روپے ہو گئے۔

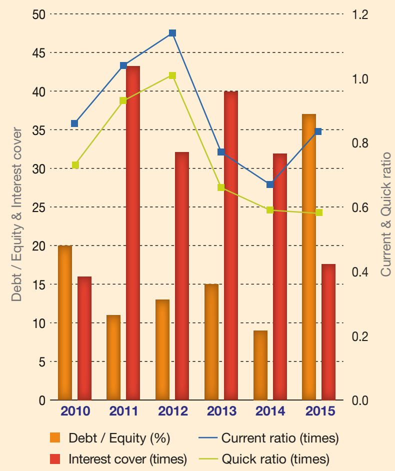
کمپنی کی short term investments جو کہ سال 2014 میں 27.43 ارب روپے تھیں کم ہو کر 10.33 ارب روپے کی سطح پر آ گئیں جس کا بڑا سبب GIDC کی ادائیگی اور working capital کے لیے سرمایہ کاریوں کو بیچنا تھا۔

کمپنی کی asset base کی مجموعی مالیت 6.47 ارب روپے کی کمی کے ساتھ 80.13 ارب روپے رہی اور اس کا خاص سببGIDC کی ادائیگی کے لیے مختصر دورانیے کی سرمایہ کاریوں کو بیچنا تھا۔

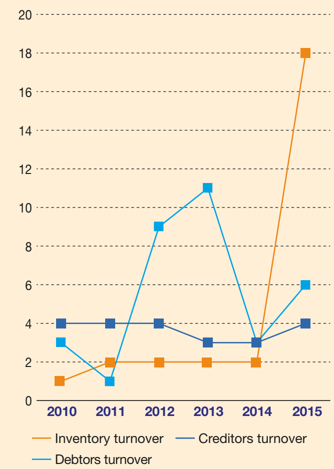
LIQUIDITY POSITION ANALYSIS

Despite a decrease of Rs. 15.53 billion in working capital, constituting of short term investments and cash & bank balances to Rs. 13.07 billion during the year, the Company remains sufficiently liquid owing to a substantial decrease in trade and other payables of Rs. 29.79 billion, including retirement of outstanding GIDC obligation during the year.

LEVERAGE AND
LIQUIDITY RATIOS
(Percentage)



INVENTORY, DEBTORS &
CREDITORS TURNOVER
(Days)



LIQUIDITY AND CASH FLOW MANAGEMENT

STRATEGY TO OVERCOME LIQUIDITY PROBLEMS

Liquidity position of the Company is closely monitored to ensure availability of sufficient funds to meet operational requirements and to safeguard the Company against cash flow risks. This is done through effective cash flow forecasting, maintenance and management of maturity profiles of assets and liabilities to match cash inflows and outflows thereby optimizing the working capital cycle. In addition, the Company's Treasury Management System ensures lucrative placement of surplus funds in short term investments yielding incremental income for the Company.

Working capital requirements of the Company are managed through internal cash generation sources primarily comprising of sales revenues in addition to dividend receipts and investment income, with external financing acting as secondary means of funding. Sales revenue receipts are managed through optimized control of customer credit, in addition to securing advance customer orders.

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

TREASURY MANAGEMENT

'The Company maintains a dynamic and flexible portfolio of investments for placement of surplus cash / liquidity in the money market / Government securities, term deposits with banks / financial institutions, money market open end mutual funds and any other investment schemes, to augment profitability and increase the shareholders' returns.'

Treasury Management System comprises of the following objectives / tools while remaining within acceptable levels 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 to minimize credit risk

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

REPAYMENT OF DEBTS AND RECOVERY OF LOSSES

The Company commands strong debt raising capacity and although long term financing increased by Rs. 13.39 billion to Rs. 15.89 billion during the year, due to a one-off financing requirement of the GIDC obligation, sufficient unutilized debt raising capacity is available

FINANCIAL REVIEW

for working capital requirements, besides the ability to generate sufficient revenues for operating cash requirements and retirement of debt on maturity dates.

Although short term borrowings increased by Rs. 6.42 billion during the year, trade and other payables witnessed a substantial reduction of Rs. 29.79 billion to Rs. 8.11 billion, mainly due to remittance of the GIDC dues. Consequently, short term investments and cash and bank balances aggregating to Rs. 13.07 billion, in addition to projected revenue / cash forecasts indicate availability of sufficient funding for timely retirement of debt / payables, besides providing leverage to adequately manage recovery of losses, if any, with surplus funds available for investments to generate incremental liquidity / income for the Company.

DUPONT ANALYSIS

Net earnings of the Company decreased by 8% due to additional tax burden and incremental finance costs relating to debt availed for retirement of GIDC obligation whereas sales revenue increased by 4% due to higher urea offtake and record imported fertilizer sales. Net margin of the Company was thus reduced from 22% in 2014 to 20% for 2015. Total assets witnessed a decrease of 7% due to encashment of short term investments to fund GIDC remittances improving the asset turnover from 0.94 times to 1.06 times. Ownership ratio also moved favourably from 30% to 34% due to enhanced un-appropriated profits during the year. Resultantly, the return on equity of the Company was recorded at 61% compared to 71% reported in the previous year.

CASH FLOWS & FINANCING ARRANGEMENTS

CASH FLOW ANALYSIS

Movement in FFC's cash flows during the year is analysed in the form of the following cash generating / consuming activities:

OPERATING ACTIVITIES

Gross cash utilized in operating activities of the Company was recorded at Rs. 12.69 billion compared to gross cash generation of Rs. 39.19 billion last year. Deficit in cash generation during the year was primarily on account of the substantial cash requirement for retirement of GIDC obligation and high inventory levels held at year end tying up cash. Net cash used in operations after adjustment for payment of finance cost of Rs. 1.24 billion and income tax of Rs. 9.10 billion translated to Rs. 23.03 billion compared to net cash generated from operations of Rs. 29.09 billion last year.

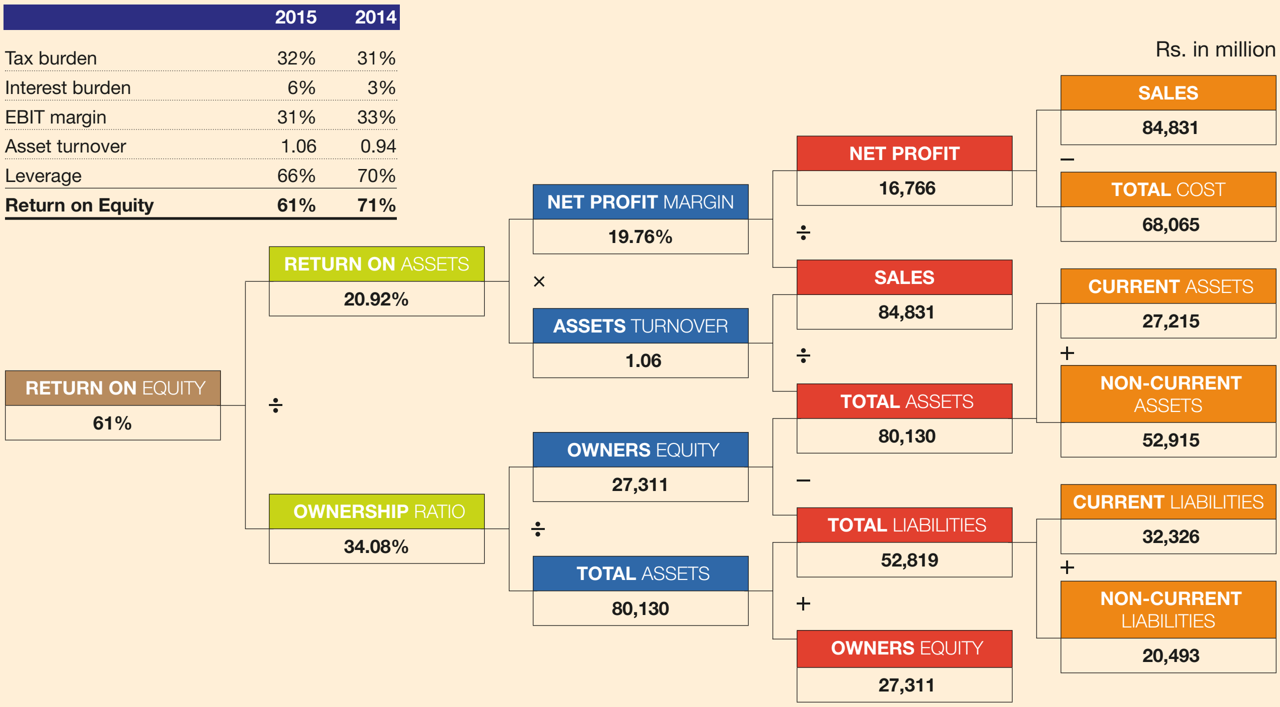
INVESTING ACTIVITIES

Investing activities included fixed capital expenditure of Rs. 3.28 billion, representing a decrease of 6% compared to last year and mainly comprising of procurements of plant and machinery and catalysts during the year.

Interest income contributed Rs. 1.76 billion towards cash flows,

DUPONT ANALYSIS

	2015	2014
Tax burden	32%	31%
Interest burden	6%	3%
EBIT margin	31%	33%
Asset turnover	1.06	0.94
Leverage	66%	70%
Return on Equity	**61%**	**71%**



increasing from Rs. 1.28 billion received last year evidencing efficient treasury management of the Company.

The Company also injected Rs. 400 million in FFF as equity investment to fund project completion compared to Rs. 450 million injected in the preceding year, translating into a total investment of Rs. 1.44 billion to date.

Dividend receipts during the year stood at Rs. 2.72 billion, 5% higher compared to last year whereas net cash generated from sale of financial instruments was recorded at Rs. 0.45 billion against net investment in financial instruments of Rs. 8.08 billion during 2014 in order to generate funds to meet cash flow requirements of the Company.

Consequently, net cash generated from investing activities stood at Rs. 1.27 billion, compared to net cash utilized in investing activities of Rs. 7.73 billion in 2014.

FINANCING ACTIVITIES

The Company obtained long term borrowings amounting to Rs. 18.62 billion during the year mainly to fund outstanding GIDC remittances and working capital requirements of the Company. Repayments of long term borrowings during the year stood at Rs. 2.50 billion. The Company also paid an aggregate of Rs. 15.44 billion as dividends to shareholders during the year, translating into net cash generation of Rs. 679 million from financing activities.

CASH AND CASH EQUIVALENTS AT YEAR END

Resultantly, the Company recorded a substantial net decrease in cash and cash equivalents of Rs. 21.07 billion during the year which, together with a balance of Rs. 15.28 billion at the start of the year, translated into a net negative balance of cash and cash equivalents of Rs. 5.86 billion at year end.

FINANCING ARRANGEMENTS

Reliance on external financing is secondary to internally generated cash which represents the Company's primary source of working capital thereby minimizing financing costs through effective liquidity management.

External financing is arranged when required, after extensive cash flow forecasting for working capital, investment or capital expenditure requirements, with preference towards short term debt as compared to long term financing.

Despite increase in the long term borrowings to Rs. 15.89 billion during the year, the Company holds a sizeable unutilized capacity available to meet any future funding requirements including diversification projects, with total net worth of the Company standing at Rs. 27.31 billion.

Short term borrowings (excluding current maturities) stood at Rs. 18.02 billion at year end against aggregate financing facilities of Rs. 18.79 billion comprising of short term running finance and Istisna arrangements with various banks. Further, letters of credit lines of up to Rs. 9.56 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 of up to Rs. 100 million.

CAPITAL STRUCTURE OF FFC

Total equity improved by 6% to Rs. 27.31 billion comprising of share capital amounting to Rs. 12.72 billion representing 1,272 million ordinary shares of Rs. 10 each. Fauji Foundation remains the major shareholder of the Company with an equity stake of 44.35%.

Long term debt of the Company stood at Rs. 15.89 billion at close of the year, increasing the debt / equity ratio to 37:63 from 9:91 in 2014, whereas financial leverage at year end was recorded at 1.41.

Despite increase in the debt / equity ratio, future projections indicate adequacy of the capital structure for the foreseeable future.

FINANCIAL REVIEW

CAPITAL MARKET & MARKET CAPITALIZATION

The Company's shares were previously quoted on the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. However, due to integration of these Stock Exchanges into the Pakistan Stock Exchange (PSX) effective January 11, 2016, the shares of the Company have been listed on the PSX, which now represents the Country's capital market.

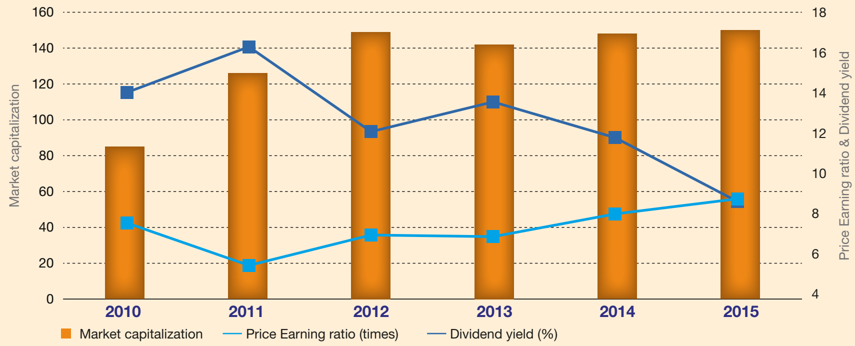
Prior to the integration, Karachi Stock Exchange (KSE) was the primary exchange and indicator of capital market performance, with a bearish trend during the year, recording a market capitalization of Rs. 6,928 billion, down from Rs. 7,381 billion in the preceding year. The number of companies listed on the Exchange dropped marginally from 557 to 554 with the listing of 8 and delisting of 11 companies during the year. Total capital listed on the Exchange rose to Rs. 1,270 billion, 9% higher than last year.

Despite the negative trend prevailing in the Exchange during the year, FFC's market capitalization improved by 1% to Rs. 150 billion at year end whereas trading in the Company's equity increased by 50% to 429 million shares evidencing the blue chip standing of our scrip. Market price of the share underwent significant fluctuations between the highest of Rs. 158.87 per share to the lowest of Rs. 109.40 per share, with an average trading price of Rs. 134.46 per share.

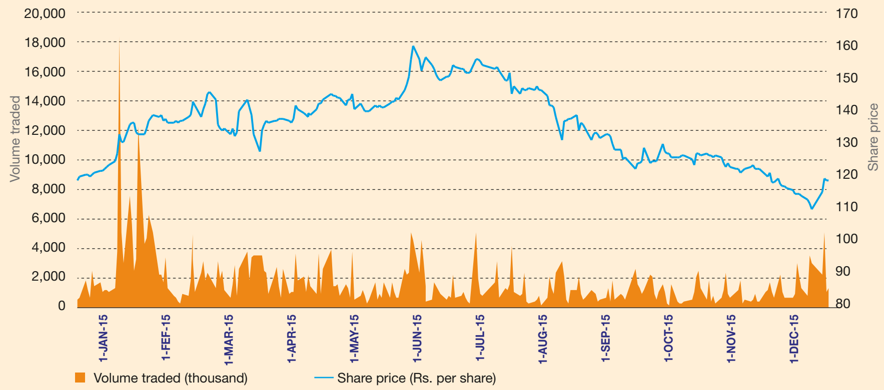
Fluctuations are principally caused by market psychology, speculative investors and material events occurring during the year.

MARKET CAP, P/E RATIO AND DIVIDEND YIELD

(Rs. in billion)



SHARE PRICE & VOLUME



PROFIT DISTRIBUTION & RESERVE ANALYSIS

The Company's reserves at the beginning of the year stood at Rs. 12.95 billion out of which Rs. 4.45 billion were appropriated as final dividend for 2014 as approved by the shareholders, translating into an aggregate payout of 96% for 2014.

Distributions against net profitability of Rs. 16.77 billion for 2015 stood at Rs. 10.74 billion through three interim dividends, while no transfers were made to the general reserves, translating into aggregate reserves and un-appropriated profit of Rs. 14.59 billion at the close of the year signifying an increase of 13%, as detailed in the 'Appropriations' table below.

APPROPRIATIONS	Rs. in million	Rs. per Share
Opening Reserves	12,947	
Final Dividend 2014	(4,453)	3.50
Net Profit 2015	16,766	13.18
Other comprehensive income	67	
Available for Appropriation	25,327	
APPROPRIATIONS		
First Interim Dividend 2015	(5,013)	3.94
Second Interim Dividend 2015	(2,226)	1.75
Third Interim Dividend 2015	(3,499)	2.75
Closing Reserves	14,589	

SENSITIVITY ANALYSIS

Company margins are sensitive to various factors, most of which are external and hence beyond Company's control. FFC however, as part of its risk management, regularly carries out sensitivity analysis to gauge the impact of these factors including their propensity to alter results. This involves evaluating past trends, developing projections and testing the effect of various critical and non-critical variables on the overall profitability of the Company. Factors affecting Company margins also impact the Company's share price.

Mitigation of key sensitivities and other risks has been discussed in detail in the Risk Mitigation section of the Annual Report 2015.

KEY SENSITIVITIES

UREA PRODUCTION & COST OF SALES

Although the Company's plant operations recorded exceptional operating efficiencies, they have been exposed to consistent gas curtailment, resulting in production losses. In addition, emergency shutdowns and maintenance turnarounds above planned levels, can also significantly impact production and hence the Company's profitability.

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

Cost of production has persistently increased over the years due to incremental GIDC levies and feed / fuel gas tariff escalations, part of which had to be absorbed by the Company owing to pricing constraints.

Implementation of the certification requirements by the Pakistan Standards & Quality Control Authority (PSQCA), incremental provincial levies besides requirement for electronic monitoring / tracking of production process / fertilizer shipment, have the potential to further depress Company margins by over Rs. 250 million on annual basis.

The Company however remains committed towards efficiency enhancements in addition to cost optimization through effective austerity measures 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 unjustified diversion of FFC's gas quota of 34 MMSCFD also adversely affects Company's margins and the Company remains fully committed for the rightful restoration of the FFC allocated gas quota.

SALES VOLUME & PRICES

Sales volume is primarily driven by plant production, fertilizer demand, Government intervention including import volumes, besides environmental conditions.

Although the sales prices are determined internally, they are generally impacted by competitor prices, market conditions, international trends and subsidies. Recently, the selling prices have also been negatively influenced by market uncertainties, resulting in significant absorption of feed / fuel gas costs.

DIVIDEND INCOME

Dividend income from our strategically diversified investments depends upon the respective entity's yearly performance and

SENSITIVITY ANALYSIS

Factor	Change	NPAT (Rs. M)	EPS (Rs.)
SALES VOLUME	(+/- 1%)	223	0.18
GAS CONSUMPTION / PRICE	(+/- 1%)	172	0.14
DIVIDEND INCOME	(+/- 5%)	119	0.09
SELLING PRICE	(+/- 1%)	475	0.37
DOWNTIME	(+/- 2 Days)	133	0.10
EXCHANGE VALUATION	(+/- 5%)	70	0.05
INCOME ON DEPOSITS	(+/- 5%)	57	0.04
FINANCE COST	(+/- 5%)	47	0.04

FINANCIAL REVIEW

is thus beyond the Company's control. FFC derives dividend income from FFBL, AKBL and FCCL whereas dividend stream from other investments including FFCEL is also expected to commence in due course.

Considering similar industry and core competencies, factors that impact FFC also influence FFBL's performance. AKBL, FCCL and FFCEL operate in diverse sectors and hence are subject to their own set of sensitivities different from FFC.

OTHER INCOME

Income on Government securities and deposits with banks and other financial institutions is primarily contingent on prevailing interest / KIBOR rates besides the Company's competence to efficiently generate and deploy excess funds in profitable ventures.

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 interest / KIBOR rate fluctuations, being subject to market and economic conditions, are beyond the Company's control. In view of the prevailing interest rates standing at historic lows and considering the substantial amount of short and long term debt availed by the Company, a future increase in policy rate of 1% by SBP would escalate finance cost by around Rs. 195 million for the Company.

FOREIGN EXCHANGE RISK

Monetary assets and liabilities denominated in foreign currency expose our Company to foreign exchange risk on account of fluctuations 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 sensitive to various factors including strategic, commercial, operational and financial risks, besides external factors beyond the management's control including Governmental levies and intervention, which may affect the Company's performance. These risks along with their levels of exposure and mitigating strategies and opportunities have been discussed in the '**Risk and Opportunity Report**' section of the Annual Report 2015.

With the exception of substantial price gains in 2011 impacting positively on net earnings of the Company, besides the subsequent negative impacts of GIDC and incremental levies on profitability, the Company has maintained a steady growth momentum, building on core competencies in addition to undertaking significant diversification initiatives in the financial services, power generation, cement manufacturing and food business, with the prospects to undertake further diversification projects in future.

Company performance and achievement of management objectives over the years is manifest in the sustained returns to shareholders, recognitions for transparency and good governance, in addition to realization of diversification projects, including launching of operations of FFCEL and FFF.

The consistent increase in dividend income from AKBL and FCCL during the past two years besides receipts from FFBL, supports the management's assessments of target achievement.

PROSPECTS OF THE ENTITY INCLUDING TARGETS FOR FINANCIAL AND NON-FINANCIAL MEASURES

PROSPECTS OF THE ENTITY

Enhanced operating efficiencies, adoption of austerity measures, incremental dividend income from strategic investments and planned diversification projects provide adequate support to the management's projections of sustained earnings and returns to shareholders.

In view of diminishing gas pressure and depleting reserves at Mari Petroleum fields, the Company is in process of implementing various innovative technologies to sustain production including installation of gas compressors and construction of a new transmission line from Mari field. Further, the Company is in advanced evaluation stages for installation of coal fired boilers to conserve gas utilized in power generation, which can then be used for increased production.

FFCEL has recorded three successive years of profitable operations and in this regard, dividend stream from the subsidiary is expected to commence in the near future.

Acquisition of AKBL by the Fauji Group has also proved to be a sound management decision in view of the incremental dividend income provided by the bank in the past two years. With AKBL actively expanding its branch network, we anticipate sustained distributions from the bank in future years supplementing the Company's profitability.

Pursuant to completion of construction work on the Individually Quick Freeze (IQF) and Vapour Heat Treatment (VHT) plants, FFF was successfully inaugurated during 2015 with trial shipment of its products to both domestic and export markets. With commencement of commercial operations from January 1, 2016, we are confident that our venture in food business shall also yield sustainable returns in future.

Project development activities relating to our initiative for setting up an offshore fertilizer plant in Tanzania are progressing as per plan and FFC, together with international consortium partners, successfully executed a long term Joint Venture Agreement with the state owned Tanzania Petroleum Development Corporation (TPDC) in September 2015, gaining exclusive rights to setup the project in the country.

FINANCIAL MEASURES

An estimation of various factors and variables was used to project targets for 2015. Most of these parameters are outside the control of the Company while others can either be monitored or their impact alleviated to a possible extent.

Fluctuations in currency, government intervention, taxes, duties / levies, prices of raw materials, gas diversions / curtailments in addition to weather and natural calamities, are all external factors affecting the Company's cost of production.

Thorough evaluation and effective implementation has been carried out during the year in order for the Company to achieve its set goals and targets. This is evident from the fact that despite gas curtailment and adverse market conditions during the year, exceptional production / sales / revenue levels were achieved, in excess of the operating targets for the year.

Selling prices of fertilizer remained suppressed during the year despite increase in gas prices resulting in absorption of gas costs which, coupled with additional tax impositions during the year, dampened profitability. However, effective treasury management yielding high investment income and dividend streams from the Company's diversification initiatives enabled the Company to earn a net profit of Rs. 16.77 billion despite adverse market conditions.

Looking forward, non-restoration of our allocated gas quota of 34 MMSCFD, 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 threat to future margins. The Company however remains focused and is fully geared to mitigate these risks and ensure sustained Company profitability.

NON-FINANCIAL MEASURES

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

- Compliance with the regulatory framework
- Corporate image
- Stakeholders' engagement
- Brand preference
- Relationship with customers and business partners
- Employee satisfaction and wellbeing
- Maintenance of product quality for fulfillment of customer needs
- Responsibility towards the society
- Environmental protection
- Energy conservation
- 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, 2014 were submitted to the Securities and Exchange Commission of Pakistan (SECP) and the Registrar, along with the Cost Auditor's Report thereon, within the stipulated timeframe.

BDO Ebrahim & Company, Chartered Accountants have been re-appointed as Cost Auditors of the Company by the Board of Directors, for the financial year ended December 31, 2015, under approval and in compliance with the criteria specified by the SECP including relevant experience and availability of sufficient qualified staff.

FINANCIAL REVIEW

CORPORATE AWARDS

BEST PRESENTED REPORT AWARDS 2014

FFC's Annual Report for the year 2014 was declared the overall winner in the Best Corporate Report Awards competition for 2014 by the joint committee of Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP), besides being awarded the first place in the Chemicals Sector of the Country.

The Annual Report was also awarded first position in the Manufacturing Sector of the Best Presented Annual Report competition by the South Asian Federation of Accountants (SAFA).

SUSTAINABILITY REPORT AWARD

FFC's Sustainability Report for the year 2014 was endorsed by the Global Reporting Initiative, Holland and was also awarded the first prize in the Sustainability Report Category by the joint committee of ICAP / ICMAP, in terms of transparency and social and environmental footprints.

CORPORATE PHILANTHROPY AWARD

FFC has also been awarded third position by the Pakistan Center of Philanthropy (PCP) in the Corporate Philanthropy Award competition, based on the volume of monetary donations made during the year 2013.

Mr Mohammad Munir Malik (CFO) receiving SAFA Best Presented Annual Report Award 2014

Lt Col Jabir Hussain, TI (M) (Retired) receiving RCCI Platinum Award 2014

RAWALPINDI CHAMBER OF COMMERCE & INDUSTRY (RCCI) PLATINUM AWARD

Recognizing FFC's contribution in terms of investment, payment of taxes and supporting new industries amongst other factors, the Company was conferred the RCCI Platinum Award in 2015.

The above awards stand as testaments to FFC's commitment towards promotion of transparency, accountability, sustainability and good governance practices.

CONSOLIDATED OPERATIONS AND SEGMENTAL REVIEW

Group sales revenue for 2015 was recorded at Rs. 87.34 billion compared to Rs. 84.01 billion in 2014, representing an increase of 4%, with consolidated net profit for the year registered at Rs. 19.43 billion.

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

FAUJI FERTILIZER BIN QASIM LIMITED (FFBL)

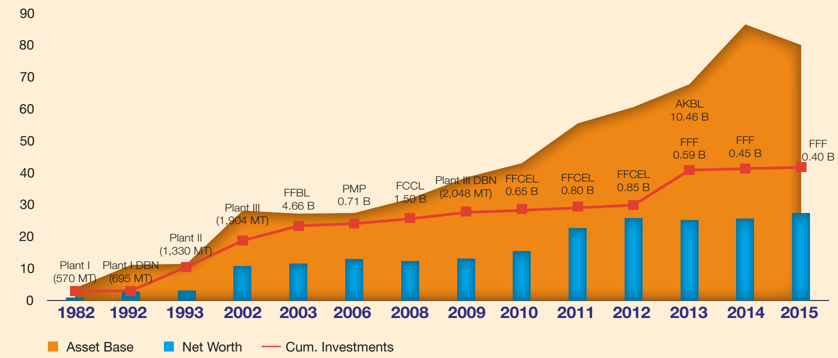
FFC's cost of investment in FFBL amounts to Rs. 4.66 billion, representing 49.88% of FFBL's equity. Incorporated in 1993 with subsequent restructuring in 2003, FFBL is a public limited company listed on the Pakistan Stock Exchange. It operates a modern Granular Urea and Di-Ammonium Phosphate (DAP) fertilizer manufacturing complex located in Bin Qasim, Karachi being the sole producer of DAP in Pakistan. 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 produced 768 thousand tonnes of DAP and 302 thousand tonnes of Urea (Granular) during the year and recorded a sales revenue of Rs. 52.18 billion marking an increase of 6% over last year on account of higher production and sale of fertilizers due to better availability of gas and subsidy announced by Government on DAP sales. Net profits for the year stood at Rs. 4.06 billion translating into an earnings per share of Rs. 4.35.

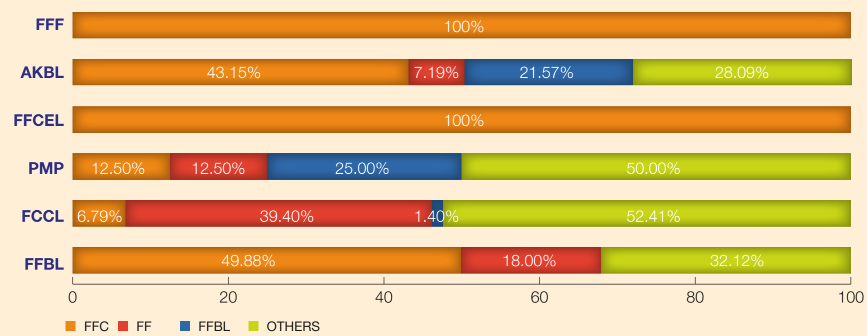
FFC earned a total of Rs. 1.40 billion as dividend income from FFBL signifying a decrease of 26% from last year due to reduced payouts made by the company despite a 1% increase in net earnings in 2015.

The Board of Directors of FFBL in their meeting held on January 26, 2016, announced a final cash dividend of Rs. 3.05 per share translating into a total payout of 87% for the year.

GROWTH & ACQUISITIONS
(Rs. in billion)



FFC GROUP SHAREHOLDINGS
(Percentage)



ASKARI BANK LIMITED (AKBL)

FFC's holding in AKBL amounts to Rs 10.46 billion representing a 43.15% equity stake. The bank was incorporated in 1991 as a public limited company and is listed on the Pakistan Stock Exchange. With a network spanning 424 branches, including a Wholesale Bank Branch in the Kingdom of Bahrain, AKBL is a scheduled commercial bank principally engaged in the business of banking.

Financial performance of the bank for the nine months ended September 30, 2015 translated into a net after tax profit of Rs. 4.07 billion, an impressive improvement of 31% over the corresponding period last year. Total asset base as of September 30, 2015 stood at Rs. 516 billion compared to Rs. 447 billion as at December 31, 2014 with total deposits recorded at Rs. 427 billion, registering a growth of 10%. Prudent provisioning resulted in a 2% improvement in coverage ratio standing at 92% as at September 30, 2015.

Consistent increase in AKBL's profitability subsequent to acquisition in 2013 has translated into improved payouts with the Company receiving Rs. 1.09 billion as dividend income from the bank in 2015, twice the amount received in the preceding year.

FINANCIAL REVIEW

FAUJI CEMENT COMPANY LIMITED (FCCL)

Incorporated in 1992, FCCL is a public company listed on the Pakistan Stock Exchange principally engaged in the manufacturing and sale of ordinary portland cement with a current installed capacity of 3,434 thousand tonnes. FFC has an investment of Rs. 1.5 billion in FCCL, translating into an equity stake of 6.79%.

FCCL exhibited commendable growth in profitability during the first quarter ended September 30, 2015 of its financial year 2015-16 with net after tax earnings recorded at Rs. 1,103 million compared to Rs. 602 million in the corresponding period last year. Despite a decline of 32% in exports, capacity utilization improved by 3% to 71% on account of increase in local dispatches to 524 thousand tonnes from 460 thousand tonnes in the corresponding quarter of the preceding year.

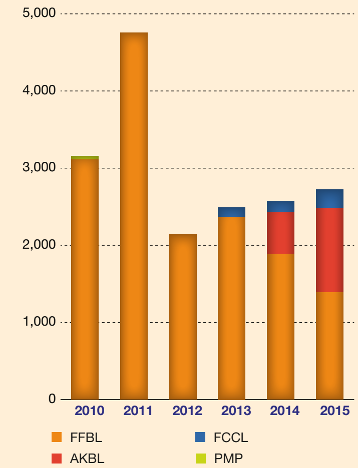
FFC earned dividend income of Rs. 234 million from FCCL during 2015, signifying an increase of 67% over last year.

FFC ENERGY LIMITED (FFCEL)

FFCEL is a wholly owned subsidiary of FFC which was incorporated as an unlisted public limited company in 2009 for the purpose of establishment and operation of Pakistan's first wind power generation facility. FFCEL has a capacity of 49.5 MW and commenced commercial operations in May 2013.

FFCEL completed another successful year of operations in 2015 supplying a total 109 GWh of electricity to the national grid with supply of 374 GWh valued at over Rs. 6.7 billion to-date.

DIVIDEND FROM ASSOCIATES
(Rs. in million)



Operating at an average availability factor of 96%, the company generated sales revenue of Rs. 2.51 billion compared to Rs. 2.76 billion last year, signifying a decrease of 9% as the revenue for 2014 included the differential between Reference and True-up Tariffs for electricity supplied by FFCEL. Net profits for the year stood at Rs. 591 million increasing net worth to Rs. 3.89 billion at year end. Trade receivables exhibited a significant improvement and were registered at Rs. 420 million compared to Rs. 1.40 billion last year due to improved collection.

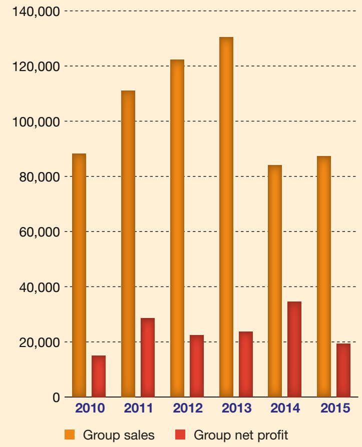
PAKISTAN MAROC PHOSPHORE S.A., (PMP) – MOROCCO

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 international markets.

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

PMP has a production capacity of

GROUP SALES AND NET PROFIT*
(Rs. in million)



* Group sales decreased 2014 onwards as FFBL ceased to be the Company's subsidiary during the year and became an associated company of FFC

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's cost of investment in PMP amounts to Rs. 706 million yielding Rs. 43 million as dividend income to the Company since the date of investment.

FAUJI FRESH N FREEZE LIMITED (FFF)

FFF is an unlisted public limited company acquired by FFC in October 2013 as a wholly owned subsidiary. FFF owns and operates Pakistan's first Individually Quick Freeze (IQF) processing facility and a Vapour Heat Treatment (VHT) plant for processing of fresh and frozen fruits & vegetables and commenced commercial operations on January 01, 2016.

With project development phase for the IQF and VHT plants completed on December 31, 2015, total assets of the company stood at Rs. 3.82 billion compared to Rs. 1.97 billion last year mainly comprising of property, plant and equipment valued at Rs. 3.29 billion. In order to fund plant construction, the company availed additional project finance of Rs. 1.22 billion during the year increasing total long term borrowings (including current portion) to Rs. 2.44 billion. The company also received additional equity funding of Rs. 400 million from the parent Company resulting in total net worth of Rs. 1.00 billion at year end compared to Rs. 689 million last year.

RISK AND OPPORTUNITY REPORT

KEY SOURCES OF UNCERTAINTY

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, 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 judgments about the 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 recognized 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 those related to retirement benefits, estimation of useful life of property, plant and equipment and intangible assets, recoverable amount of goodwill and investment in associated companies along with provision of taxation have been disclosed in note 3 to the Company's financial statements and consolidated financial statements.

STRATEGIC, COMMERCIAL, OPERATIONAL AND FINANCIAL RISKS

Operating in a business environment involves developing objectives, making decisions and undertaking transactions and hence inevitably bears some form of risk. The Company has effective systems in place for the timely identification, assessment and mitigation of various risks it is exposed to in the normal course of business as detailed in the following sections.

The strategic, commercial, operational and financial risks can emanate from uncertainty in financial markets, system breakdowns, project delays, fluctuations in product markets including competitive position, legal liabilities, credit risk, accidents, natural causes and disasters, or other 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 include risks created by the Company's strategic objectives and business strategy decisions that could affect its long term positioning and performance. They are monitored at the highest level with active oversight by the Board of Directors.

OPERATIONAL RISKS

These are risks that can affect the Company's ability to execute its plans and objectives including operational and administrative procedures, such as workforce turnover, supply chain disruption, IT system shutdowns 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 constitutional amendment posing threat to the organization's profitability and commercial viability are a few examples of this risk affecting the Company.

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.

The Company limits its 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 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

FINANCIAL REVIEW

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 Resources & 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 in addition to determining the capital expenditure requirements to maintain plant efficiencies.

- The Projects Diversification Committee focuses on exploring new avenues for expansion and portfolio risk diversification ensuring that thorough due diligence is carried out before undertaking any new project.

II. Policies & Procedures:

Policies and procedures represent a vital part of the Company's risk governance framework and ensure management of financial, operational and compliance risks. Board and its committees have adopted a set of policies and procedures based on best practices, promoting a culture of ethics and values with authority delegated to senior management for appropriate implementation.

III. Control Activities

Controls include preventive, detective and corrective activities. Senior management assesses the risks and places appropriate controls to mitigate and respond to these risks.

IV. Performance Management

Regular monitoring is carried out to determine the effectiveness of implemented controls to identify areas of weakness and devising strategic plans for improvement, which has enabled aversion of majority of performance risks.

V. Internal Audit

Internal Audit function operates under the Board approved plan and provides independent and objective evaluations and reports directly to the Audit Committee on the effectiveness of governance, risk management and control processes.

MITIGATING STRATEGIES

RISK LEVEL	RISK DESCRIPTION	MITIGATING STRATEGY
STRATEGIC RISK		
High	Decline in international price of urea, forcing a local price fall.	Maintaining margins through cost minimization and output optimization and exploring alternative sources of raw materials.
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.
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		
High	Increasing production and distribution costs affecting pass through ability of the Company.	Increasing levies 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	Strong market competition lowering demand for FFC's product.	FFC combined with FFBL currently holds 48% urea market share and has a loyal customer base owing to its reputed brand image. Further, continuous efforts are made to sustain premium product quality and production levels, in order to maintain our market share.
Moderate	Supplies and untimely influx of urea imported by TCP.	These variables are outside management control.
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 on affordable / concessionary rates in addition to credit sales, besides exploration of potential to export to other countries.
OPERATIONAL RISK		
High	Gas reserves depletion.	Investing in alternate sources of raw material and power including through coal fired boilers, in addition to diversified business portfolio.

FINANCIAL REVIEW

RISK LEVEL	RISK DESCRIPTION	MITIGATING STRATEGY
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.
Low	IT security risk.	State of the art IT controls are in place to prevent unauthorized access to confidential / proprietary 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.	Such events are beyond FFC's control however, FFC has established disaster recovery / business continuity plans that have been 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.	'Prepayment options' have been incorporated in agreements, which can be exercised upon any adverse movement in the underlying interest rates, hedging 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 laws and regulations.

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 establishing direct relationship with the farming community and shall continue to strengthen this reputation by undertaking enhanced initiatives for farmer awareness through model crop farms and extension of support by our Farm Advisory Centers (FACs) for appropriate / balanced fertilizer application besides sustained provision of premium quality product.
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.	Government involvement is beyond the Company's control and has resulted in significant cost absorption by the Company. FFC regularly monitors the markets and the changes in price are based on prevailing market conditions / Governmental pressures.

OPPORTUNITIES

Opportunities have been discussed on page 31 of the Annual Report 2015 in the 'SWOT Analysis' section.

MATERIALITY APPROACH ADOPTED BY THE MANAGEMENT

Determination of materiality levels, other than those provided under the regulations, is judgmental and varies between organizations. 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. Materiality levels are reviewed periodically and are appropriately updated.

Powers of the Board of Directors and the Management of the Company have been defined with special reference to, and in compliance with 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.

Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes keeping in view defined materiality levels.

SUBSEQUENT EVENTS

The Board of Directors in its meeting held on January 27, 2016 is pleased to announce a final cash dividend of Rs. 3.42 per share i.e. 34.2% for the year ended 2015, taking the total payout for the year to Rs. 11.86 per share i.e. 90%.

CORPORATE GOVERNANCE

Good governance is an indispensable tool for maintenance of Company's integrity and credibility in the eyes of its stakeholders. The Board of Directors hence, emphasizes on operational transparency and adherence to the best ethical practices, beyond the regulatory requirements for governance.

In order to ensure that Company operations are carried out in an ethical manner, the Board has prioritised corporate accountability through provision of leadership within a framework of generally accepted best practices, compliance with corporate governance regulations, sound internal controls, the **Code of Conduct**, the **Code of Business Ethics** and the **Whistle Blowing Policy**.

COMPLIANCE WITH THE BEST CORPORATE PRACTICES

To demonstrate FFC's commitment towards adherence to the highest levels of moral and ethical values, we have voluntarily adopted best business practices in addition to stipulated legal requirements. Report of the Board's Audit Committee on compliance with the Code of Corporate Governance, along with the review report thereon by the Company's Auditors forms part of FFC Annual Report 2015.

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 with changes to accounting policies disclosed in note 4.24 to 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 therefrom 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 to the financial statements.

ETHICS AND COMPLIANCE

The Company has developed a comprehensive ethics and compliance framework which ensures highest standards of business conduct and decision making. Principles of the framework together with the Code of Conduct have been circulated to all employees in compliance with the Code of Corporate Governance. Compliance with the framework and applicable regulations is highly encouraged and monitored, acting as a driver for business growth while aiding in identification and redressal of grievances arising as a result of any unethical practice.

CONFLICT OF INTEREST AMONG BOD MEMBERS

A formal Code of Business Ethics has been implemented by the Board which encompasses regulatory requirements and voluntary best practices, for formal disclosure of vested interests if any, enabling avoidance of known or perceived conflicts of interests.

All observations / suggestions raised during Board proceedings are duly recorded for evaluation in addition to description and quantification of any conflict of interest before finalization of the agenda points.

IT GOVERNANCE POLICY

FFC endeavours to implement the latest IT infrastructure which provides the management with an efficient operating and decision making platform and helps in economizing operations, consequently adding value to shareholders. In this respect, FFC's IT governance policy provides advice, oversight and contributes to the overall strategic decision making by the management.

FFC's IT Governance Policy encompasses:

- Engaging stakeholders to establish priorities for technology investment that are aligned with institutional goals and objectives
- 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 avoidance of redundancy
- Maximizing return on technology investment with controlled spending, while providing FFC with a coherent and integrated IT architecture and management structure
- Securing data
- Keeping the IT function proactive from an innovation perspective, providing ideas to the business

WHISTLE BLOWING POLICY

The Company has established an effective whistle blowing mechanism for recording alerts raised by employees, management, Board of Directors and other stakeholders, against breach of Company policies, Code of Conduct and ethics and regulatory framework in a transparent and efficient manner to maintain accountability and integrity in all areas of Company operations.

The Policy also covers possible fraud / corruption and all stakeholders including contractors, suppliers, business partners and shareholders etc. come within the ambit of the Whistle Blowing Policy and can participate effectively and in confidentiality, without fear of reprisal or repercussions.

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.

The employees are required to report concerns directly to immediate supervisors. However, where reporting to supervisors is impracticable, concerns may be escalated to senior management. The stakeholders are encouraged 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.

INSTANCES DURING THE YEAR

All minor events requiring management's attention were duly addressed during the year with appropriate actions taken for avoidance of such incidents in future. No material instance was reportable to the Audit Committee regarding in financial, operating, legal or other matters of the Company.

CORPORATE GOVERNANCE

HUMAN RESOURCE MANAGEMENT POLICY & SUCCESSION PLANNING

FFC endeavours to incessantly evolve and redefine its HR strategy, systems and practices by proactively anticipating, analysing and responding to the emerging needs and challenges faced by the Company, while promoting diversity including representation of special persons, in an equitable and unbiased manner.

With a long term perspective in mind, the Company also ensures that competent personnel are available in each department and ready to assume higher positions through a comprehensive succession planning Policy, in terms of pre-defined criteria including an individual's potential, qualification, period of service and professional attitude amongst other factors. This succession plan is updated periodically in line with the Company's requirements and career development objectives.

Our consistent focus on talent acquisition and grooming our people via training and development in addition to providing them with market commensurate compensation packages ensures that we build and retain a workforce fully geared to steer the Company forward.

STRUCTURAL CHANGES IN COMPANY'S ORGANIZATION

Recently, structural changes have been made in the Company's organization in order to ensure decentralized control and with adequate sovereignty in terms of technical, finance, administration and operations.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

FFC understands that the success of the Company is best reflected in the development of the community and is committed to act responsibly towards the community and environment. The 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 programs
- 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

STAKEHOLDERS' ENGAGEMENT

The Company considers '**Stakeholders' Engagement**' as vital to promote improved risk management, compliance with regulatory and lender requirements, better corporate visibility and overall growth of the Company and places great emphasis on the development of sustained stakeholder relationships.

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 requirement basis, with the following stakeholders, as detailed on page 23 of the Annual Report 2015 including 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

The Company executes its shareholders' and investors' outreach program through a variety of vehicles including its corporate website, maintained under applicable regulatory requirements and updated regularly to provide detailed and latest Company information regarding financial highlights, investor information, share pattern / value, dividend history and other requisite information besides the link to SECP's investor education portal, the 'Jamapunji'. Further, as per SECP's directive, in order to facilitate the investors, and to broaden comprehension, understanding and readability, the Company has also added an 'Urdu Section' on its website.

In order to promote investor relations and facilitate access to the Company for grievance / other query registration, an 'Investors' Relations' section is also maintained on FFC website www.ffc.com.pk. QR code:

INVESTORS' GRIEVANCE POLICY / REDRESSAL OF INVESTORS' COMPLAINTS

Investors' grievances are managed centrally by the Company through an effective grievance management mechanism for handling of investor queries and complaints, through the following key measures:

- Investor awareness is increased about modes for filing of queries
- Investor grievances are provided with a timely response
- Grievances are handled honestly and in good faith by the Company's relevant employees without prejudice
- Any grievances requiring attention of the management or the Board of Directors, are presented to the appropriate higher levels with full facts of the case, for judicious settlement
- 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

Prompt information is made available to all shareholders including potential investors for resolution of any queries or grievances in accordance with the statutory guidelines. The Company endeavours to provide investors with any details that they require regarding Company operations, in addition to specific information relating to their investment, dividend distribution or circulation of regulatory publications by the Company.

Due notices were also given to the shareholders for provision of National Tax Numbers (NTN) to the Company or the Share Registrar to avoid higher tax withholding on dividend payments, besides intimation of increase in the rates of withholding tax to 12.5% for filers and 17.5% for non-filers of income tax returns, in line with the Company's information dissemination policy, through newspapers, publication on Company website and also through notices of general meetings of the Company.

POLICY FOR SAFEGUARDING OF RECORDS

In line with the regulatory requirements and our Business Continuity Planning (BCP), the Company policy for safety of records provides for preservation of Company records of significant or permanent value for periods exceeding the legally stipulated timeframe, at secure locations to cater for any future retrieval.

The records include books of account, documentation pertaining to secretarial, legal, contractual, taxation and other matters, which have been archived where needed, in a well preserved manner as follows:

- Restriction on access to record on requirement basis only through implementation of a comprehensive password authorization matrix, including the Company's SAP-ERP system
- Prevention from physical deterioration, fire, natural disasters etc., through storage at secure locations
- Whistle blowing - Immediate reporting of breach of security or damage of record to the management
- Real-time back up of data at on-site and remote reserve locations
- Delegation of responsibility for all Company departments regarding safeguarding of their respective record
- Establishment of remote Disaster Recovery site to provide immediate backup of all primary data, in line with business continuity practices
- Electronic backup of printed data through an E-DOX computer system, enabling prompt retrieval of relevant documents in a secure environment based on appropriate access controls and authorization systems

COMPOSITION OF THE BOARD OF DIRECTORS

Legal and regulatory framework, in addition to the specific requirements of the Company define the parameters regarding the qualification and composition of the Board of Directors to ensure transparency, good governance and awareness of Board responsibilities for smooth functioning of business operations. The Company has fully implemented these requirements.

CORPORATE GOVERNANCE

The Board consists of 13 directors, effectively representing the interest of shareholders including minority stockholders. There are 12 non-executive directors and only 1 executive director. The non-executive directors include 4 independent directors including 2 representing the non-controlling / minority interests, while two independent and two other non-executive directors are possessing relevant industry experience.

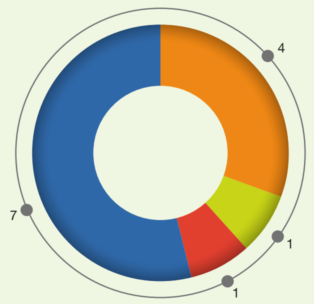
Detailed profiles of directors including the names, status (independent / non-executive / executive), in addition to industry experience and directorship of other companies, have been provided in the beginning of the Annual Report 2015. The status of directorship (independent, executive, non-executive) is indicated in the Statement of Compliance with the Code of Corporate Governance, issued by the Company.

To ensure effective, efficient and independent decision making, FFC's Board of Directors comprises of a group of highly qualified professionals from varied disciplines, including the Armed Forces, engineering, commerce, Government and financial sector to lend a unique combination of knowledge, experience and expertise to run the affairs of the Company. Furthermore, gender diversity is also encouraged on the Board.

COMPOSITION OF THE AUDIT COMMITTEE

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

COMPOSITION OF
NON-EXECUTIVE & EXEUTIVE DIRECTORS
(Numbers)

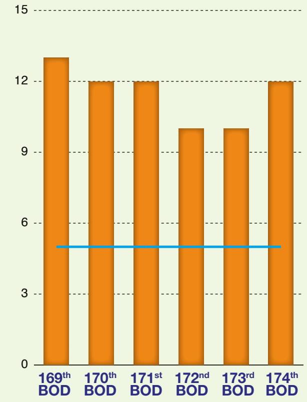


The Internal Audit Department, being a key component of the Company's internal control and risk governance framework, provides independent and objective evaluations on the effectiveness of governance, risk management and control processes reporting directly to the Audit Committee.

COMPOSITION OF HUMAN RESOURCE AND REMUNERATION COMMITTEE

All three members of the Human Resource and Remuneration Committee are non-executive directors, and the CEO does not hold membership of this Committee. They were neither previously involved in the management of the Company nor are connected with any business or other relationships that could interfere materially with, or appear to affect, their judgment.

ATTENDANCE AT
BOD MEETINGS
(Numbers)



MEETINGS OF THE BOARD

In order to effectively monitor the Company's performance and keep management accountable, the Board is legally bound to meet at least once every quarter. Special meetings to discuss other important matters according to requirements were also held during the year. The Board held 6 meetings during the year, the notices / agendas of which were circulated in advance, in a timely manner. 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 held during the year surpassed the minimum quorum requirements of attendance as prescribed by the applicable regulations and were also attended by the Chief Financial Officer and the Company Secretary.

NAME OF DIRECTOR	MEETINGS HELD	MEETINGS ATTENDED
Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar (Retired)	06	06
Lt Gen Naeem Khalid Lodhi, HI (M) (Retired)*	01	01
Lt Gen Shafqaat Ahmed, HI (M) (Retired)*	05	05
Mr Qaiser Javed	06	05
Dr Nadeem Inayat	06	06
Mr Jorgen Madsen*	02	02
Engr Rukhsana Zuberi	06	06
Mr Farhad Shaikh Mohammad	06	06
Mr Khizar Hayat Khan*	02	01
Maj Gen Ghulam Haider, HI (M) (Retired)*	01	01
Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)	06	05
Brig Dr Gulfam Alam, SI (M) (Retired)	06	06
Mr. Shahid Ghaffar	06	06
Ms Nargis Ghaloo	06	06
Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired)*	05	05
Mr. Muhammad Arif Azim*	04	02
Mr. Per Kristian Bakkerud *	04	0

** Lt Gen Shafqaat Ahmed, HI (M) (Retired), appointed in place of Lt Gen Naeem Khalid Lodhi, HI (M) (Retired) w.e.f Mar 26, 2015*
Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired), appointed in place of Maj Gen Ghulam Haider, HI (M) (Retired) w.e.f Feb 01, 2015
Mr. Muhammad Arif Azim, appointed in place of Mr. Khizar Hayat Khan w.e.f May 12, 2015
Mr. Per Kristian Bakkerud, appointed in place of Mr. Jorgen Madsen w.e.f Jun 16, 2015

BOARD MEETINGS HELD OUTSIDE PAKISTAN

In order to economize on Company resources, no Board meetings were held outside Pakistan despite the provisions by SECP and business requirements relating to the Company's prospective venture to setup an offshore fertilizer plant in collaboration with international partners.

ROLES AND RESPONSIBIL-ITIES OF THE BOARD OF DIRECTORS

The directors are cognizant of the level of trust reposed in them by the shareholders for safeguarding their interests and the Board is conscious of its immense responsibility for efficient and transparent operations of the Company.

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

The Board has devised formal policies for the conduct of Company business and monitoring compliance therewith through an independent Internal Audit Department, which continuously oversees adherence to Company policies and reports the status thereof to the Audit Committee.

CHANGES TO THE BOARD

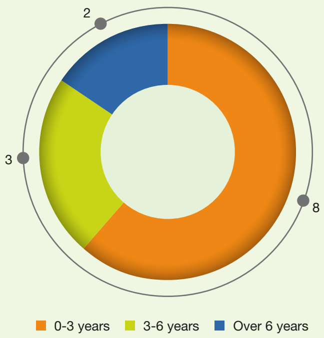
The term of the directors elected in September 2012 expired in September 2015 and fresh elections were conducted for appointment of new Board through an extraordinary general meeting of the shareholders.

The Board would like to record its appreciation for the invaluable contributions rendered by the retiring directors including Lt Gen Naeem Khalid Lodhi HI (M) (Retired), Mr Jorgen Madsen, Mr Khizar Hayat Khan and Maj Gen Ghulam Haider, HI (M) (Retired).

The Board also welcomes Lt Gen Shafqaat Ahmed, HI (M) (Retired), Maj Gen Mumtaz Ahmad Bajwa, HI (M) (Retired), Mr Muhammad Arif Azim and Mr Per Kristian Bakkerud

CORPORATE GOVERNANCE

DIRECTORS'
TENURE



as new fellow members. The Board is confident that the team would operate cohesively for the benefit of the Company and that the new members shall lend a fresh perspective and spirit towards the progress of the Company.

DIRECTORS' REMUNERATION

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

Appropriate remuneration levels are set in order to attract and retain well-qualified directors encouraging value creation within the Company while ensuring that the compensation packages are not at a level that could be perceived to compromise the independence of non-executive directors.

EVALUATION OF BOARD'S PERFORMANCE

In line with global best practices, FFC has developed and successfully implemented a methodology for self-evaluation of the Board's performance as an entity 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 of the Board and each member is required to return the duly filled proforma including comments to the Company Secretary, while maintaining secrecy and confidentiality.

Differences of opinion and areas requiring improvement are identified through a dedicated software. The results are compiled and subsequently deliberated in the next Board meeting to frame strategy for addressing the highlighted areas and bringing further improvement in the Board's performance.

OFFICES OF THE CHAIRMAN & CEO

In compliance with good governance practices, the position of the Chairman of the Board of Directors and the office of the Chief Executive are held by separate incumbents with clear demarcation of roles and responsibilities.

BRIEF ROLE & RESPONSIBILITIES OF CHAIRMAN & CEO

The Chairman is responsible for assessing and making recommendations regarding the effectiveness of the Board, the committees and individual directors in fulfilling their responsibilities, besides avoidance of conflicts of interests. The Chairman represents the non-executive directors of the Board and is entrusted with the overall supervision and direction of the Board's proceedings, and has the power to set the agenda, give directions and sign the minutes of the Board meetings.

The CEO acts as the head of the Company's management in the capacity of Managing Director and is an executive director authorized for implementing the Board's policies within delegated limits besides the responsibilities which include:

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

CEO PERFORMANCE REVIEW BY THE BOARD

Each year, the CEO's performance is reviewed by the Board with reference to his roles and responsibilities including those assigned by statute. CEO's achievements during the year 2015 are evident in healthy Company profitability despite adverse market conditions and incremental levies, commencement of shipments by food business, satisfactory progress in the Company's offshore fertilizer project, continuous evaluation of new investment opportunities, besides local and international recognition for transparency and good governance.

FORMAL ORIENTATION AT INDUCTION

A detailed orientation process is held for each new member of the Board upon induction, and extensive training programs are offered to the directors for enhancement of managerial and governance skills.

A formal orientation and familiarization program mainly features the following:

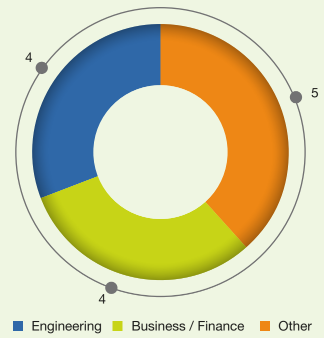
- Role and responsibility of the director as per the Companies Ordinance, 1984 including Code of Corporate Governance and any other regulatory laws applicable in Pakistan
- Company's visions and strategies
- Critical performance indicators
- FFC's expectations from the Board, in terms of output, professional behavior, values and ethics
- Major risks both external and internal, including legal and regulatory risks and constraints
- Policy on directors' fees and other expenses
- Important documents pertaining to the Company's legal status
- Company's core competencies, investments, diversification ventures, etc.
- Organizational / group structure, subsidiaries, associates and other related parties
- Summary of the Company's major assets, liabilities, noteworthy contracts and major competitors
- Summary of major shareholders, suppliers, auditors and other stakeholders
- Status of Company affairs:
  - o Strategic plans
  - o Market analysis
  - o Forecasts, budget and 5 year projections
  - o Latest financial statements
  - o Important minutes of past meetings
  - o Major litigations, current and potential
  - o Policy in relation to dividends, health & safety, environment, ethics, corporate social responsibility, anti-corruption, whistle blowing and conflict of interest, among others

The Board members also attended international training courses to enhance their managerial skills and remain abreast with the latest and best management practices and policies adopted by leading corporations across the globe.

DIRECTORS' TRAINING PROGRAM

Going beyond 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 institutions. However, due to subsequent changes in the Board composition, two of the current Board members are yet to obtain the requisite certification which is also scheduled during the current year to ensure certification of the entire FFC Board, well in advance of the prescribed timeframe.

DIRECTORS' QUALIFICATION



The following directors hold certification from SECP approved institutions:

1 Lt Gen Khalid Nawaz Khan, HI (M), Sitara-i-Esar, (Retired)
2 Lt Gen Shafqaat Ahmed, HI (M) (Retired)
3 Mr Qaiser Javed
4 Dr Nadeem Inayat
5 Engr Rukhsana Zuberi
6 Mr Farhad Shaikh Mohammad
7 Maj Gen Muhammad Farooq Iqbal, HI (M) (Retired)
8 Brig Dr Gulfam Alam, SI (M) (Retired)
9 Mr Shahid Ghaffar
10 Ms Nargis Ghaloo
11 Mr Muhammad Arif Azim

CORPORATE GOVERNANCE

ISSUES RAISED AT LAST AGM

Although general clarifications were sought by the shareholders on Company's published financial statements during the 37th Annual General Meeting of the Company held on March 17, 2015, no significant issue was raised.

TRADING IN SHARES BY DIRECTORS AND EXECUTIVES

During the year, 990,700 shares of FFC were traded by the Executives of the Company. Besides this, no other trading was conducted by the directors, executives and their spouses and minor children. The stock exchange is being regularly updated on trading of Company's shares by management employees.

The thresholds 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 an annual basis.

REVIEW OF RELATED PARTY TRANSACTIONS

Details of all related party transactions were placed before the Audit Committee for review, before approval by the Board in view of recommendations made by the Audit Committee, under the applicable framework.

QUARTERLY AND ANNUAL FINANCIAL STATEMENTS

Periodic financial statements of the Company for 2015, duly endorsed by the CEO and the Chief Financial Officer, were circulated to the directors. 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, and were published and circulated to shareholders within the permitted time of two months after period end.

The annual financial statements along with consolidated financial statements of the Group 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 upcoming Annual General Meeting for approval.

Other non-financial information to be circulated to governing bodies and other stakeholders was also delivered in an accurate and timely manner in accordance with the applicable regulatory requirements.

AUDITORS

KPMG Taseer Hadi & Co., Chartered Accountants have completed the annual audit for the year ended December 31, 2015, 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, 2016.

The Audit Committee has recommended the reappointment of KPMG Taseer Hadi & Co., Chartered Accountants as External Auditors of the Company for the upcoming financial year, at a fee of Rs. 1.65 million.

PATTERN OF SHAREHOLDING

During the year, the Sponsors, Directors and Executives of the Company held the following number of shares:

PARTICULARS	NUMBER OF SHARES HELD AS AT DECEMBER 31, 2015
Sponsors	564,204,254
Directors	1,000,200
Executives	1,210,675

A detailed pattern of shareholding is disclosed on page 204 of the Annual Report 2015.

MARKET OVERVIEW

INTERNATIONAL FERTILIZER MARKET

Global fertilizer demand registered a marginal expansion of around 1% to 186 million tonnes in 2015 as compared to total fertilizer offtake of 184 million tonnes last year.

International urea prices remained suppressed due to low demand and high inventory levels available with suppliers resulting in market dormancy. Global oversupply was also attributable to imposition of Value Added Tax on imports and sales of fertilizer by China coupled with devaluation of the Chinese Yuan against the US Dollar discouraging imports and consumption by one of the largest consumers of fertilizer, exerting further pressure on prices.

Global urea prices ex-China (FOB) plummeted from US $ 290 at the start of year to US $ 235 by December 2015. International DAP prices ex-China (FOB) followed a similar downward trend and plunged from US $ 470 in the beginning of 2015 to US $ 395 by the end of the year.

Although global outlook indicates excess fertilizer supply to prevail in future, world demand for total fertilizer nutrients is expected to pick up pace and grow by 1.8% with demand for Nitrogen, Phosphate and Potash fertilizer categories forecasted to grow by 1.4%, 2.2% and 2.6% respectively.

DOMESTIC FERTILIZER MARKET

With better production levels by Mari based plants, domestic fertilizer demand remained strong during the first half of 2015 but was seriously affected in the latter half due to poor farm economics and market uncertainty caused by delayed implementation of the 'Kissan Package' announced by the Government.

UREA

Industry urea production for 2015 witnessed an 8% increase and was recorded at 5,301 thousand tonnes while urea imports by the Government stood at 557 thousand tonnes. However, urea offtake decreased to 5,585 thousand tonnes, 1% lower than last year, mainly because of lower urea sales during the second half of the year, caused by non-implementation of the Government's announcement regarding reduction in urea prices through reversal of increase in gas tariff. Consequently, the industry carried a substantial inventory of 551 thousand tonnes at year end, 86% higher compared to last year.

DAP

Industry DAP offtake, remained highly volatile in the third quarter due to delayed implementation of the Rs. 500/bag subsidy announced by the Government. However, with the subsidy becoming effective from October 2015, offtake levels recovered translating into total sales of 1,804 thousand tonnes during 2015, 4% higher compared to last year.

FFBL, the sole producer of DAP in the Country, achieved record production during the year standing at 768 thousand tonnes, 10% higher than last year.

Supported by low international prices and the subsidy announced by the Government, the industry also undertook record level of DAP imports, registered at 1,261 thousand tonnes, witnessing an increase of 27%. Closing inventory of DAP stood at 321 thousand tonnes as compared to 100 thousand tonnes last year.

FFC MARKETING

FFC's Marketing Group has been at the forefront in creating value for its customers, while sustaining successful operations, since the inception of the Company's business through provision of premium quality fertilizers to the farming community of the Country. FFC takes pride in its widespread and well-mapped network of 3 zones, 13 regions and 66 sales districts with over 3,700 dealers and 169 warehouses across Pakistan.

In addition to delivery of quality fertilizer, provision of value adding Agriculture Extension Services is also a hallmark of the Company carried out through 5 Farm Advisory Centres spread across the Country.

The Company sold 2,408 thousand tonnes of Sona Urea (Prilled) in 2015, improving by 2% compared to last year. Marketing of Sona Urea (Granular) on behalf of FFBL at 290 thousand tonnes was 36% higher than the preceding year. Sale of imported DAP stood at 165 thousand tonnes against 123 thousand tonnes during last year which, along with marketing of 748 thousand tonnes of Sona DAP on behalf of FFBL, translated into the highest ever total DAP marketed by the Company. Combined urea market share of FFC and FFBL was registered at 48%, exhibiting an improvement of 2% over last year whereas combined market share of DAP stood at 50%, 1% higher than the market share of 2014. (Source: NFDC).

FFC MOP / SOP fertilizer sales stood at 15 thousand tonnes, at

MARKET OVERVIEW

par with the sales during 2014. The Company also sold 1,058 tonnes of Zinc Sulphate and 240 tonnes of Sona Boron during the year.

In addition to providing quality fertilizer, FFC adds value by providing various support and advisory services to the farming community through its Agri. Services Department thus augmenting the farmers' capacity to increase yield even in non-conducive environment. The Company's Agri. Services team incessantly strives to disseminate the latest technological information regarding nutrient deficiencies in soils, water problems and modern agricultural techniques to the farming community. Our Farm Advisory Centers (FACs) offer modern and sophisticated soil and water testing laboratories, a support service unique to FFC.

GEOGRAPHICAL PRESENCE

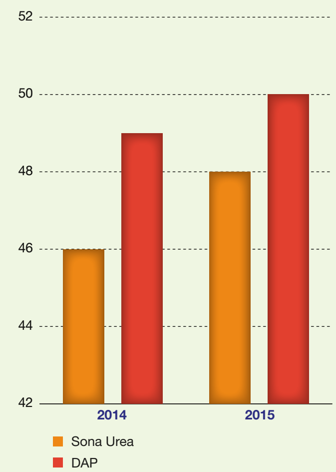
PROVINCE WISE SALES PERFORMANCE

PUNJAB

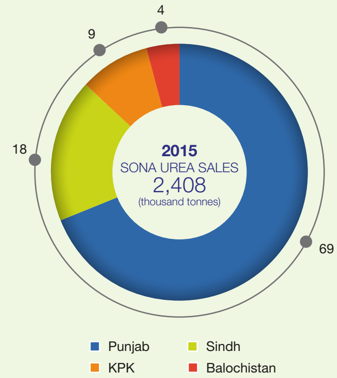
Punjab, having the largest area under cultivation, is the leading consumer of fertilizer amongst all provinces of the Country. FFC focused on capturing maximum market share in the province by increasing sales in freight economic areas of Southern and Central Punjab. Sona Urea (Prilled) sales for Punjab stood at 1,661 thousand tonnes representing 69% of the Company's total sales, which is 4% higher than 1,595 thousand tonnes sold in 2014.

Combined Sona Urea sales in the province, including urea marketed on behalf of FFBL, were recorded at 1,856 thousand tonnes representing 69% of the aggregate sales of the Company. Sona DAP and imported

AGGREGATE MARKET SHARE
(FFC / FFBL) (%)



PROVINCE WISE SALES
(Percentage)



DAP sales during 2015 stood at 562 thousand tonnes and 130 thousand tonnes respectively representing 76% of total DAP sold by FFC across the Country.

SINDH

During the year, the Company sold 438 thousand tonnes of Sona Urea (Prilled) in Sindh representing 18% of total urea sales, with the province contributing 1% more to aggregate sales compared to last year as the Company put greater emphasis to sell higher quantities in the second largest fertilizer market in the Country.

Aggregate Sona Urea offtake, including FFBL product, stood at 525 thousand tonnes translating into a sales contribution of 19% by the province in comparison with 465 thousand tonnes sold during 2014, representing an increase of 60 thousand tonnes.

Sona DAP sales were recorded at 125 thousand tonnes representing 17% of total Sona DAP sales in the Country, reflecting an increase of 16 thousand tonnes as compared to the preceding year. Imported DAP sales in the province also witnessed an impressive growth and were registered at 22 thousand tonnes, 38% more than last year.

KHYBER PAKHTUNKHWA

Khyber Pakhtunkhwa contributed 9% to total offtake of Sona Urea (Prilled) with the Company selling 209 thousand tonnes in the province compared to 227 thousand tonnes last year.

Combined sales of FFC / FFBL Sona Urea and DAP in the province represented 8% and 5% respectively of the total quantities sold in the Country.

BALOCHISTAN

The Company sold 100 thousand tonnes of Sona Urea (Prilled) in the province compared to 146 thousand tonnes sold last year representing 4% of its countrywide sales.

Aggregate Sona Urea sales, including FFBL product, stood at 105 thousand tonnes in 2015 as compared to 150 thousand tonnes last year with 22 thousand tonnes of Sona DAP and 5 thousand tonnes imported DAP also sold in the province during the year. During 2015, Balochistan contributed 4% and 3% to total Sona Urea and DAP sales of the Company respectively.

OPERATIONAL PERFORMANCE

FFC achieved the second highest level of production ever during the year, with an output of 2,469 thousand tonnes operating at 121% of nameplate capacity, leveraging its technical prowess and operating efficiencies, despite an extended maintenance shutdown of Plant-II, and also because of effective utilization of lower gas curtailment during the year. However, unjustified diversion of Company allocated gas quota continues to limit FFC's ability to further augment production levels.

Production during 2015 surpassed targets, with an increase of 3% compared to last year representing around 47% of total urea production of 5,301 thousand tonnes, in the Country.

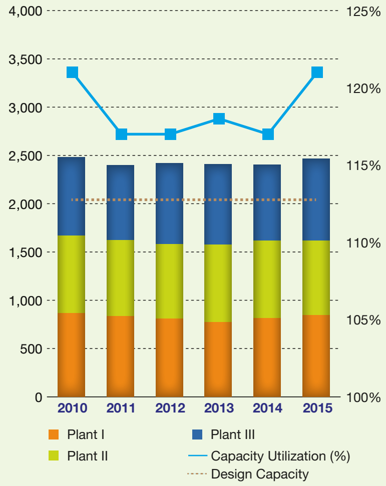
The Company's technical proficiency is also evident in the continued successful operations of its Technical Services Department which provides practical assistance and trainings relating to plant operations to local and international petrochemical companies, not only projecting a distinguished corporate image of the Company globally, but further enhancing the professional exposure and expertise of the Company's engineers.

PLANT I & II

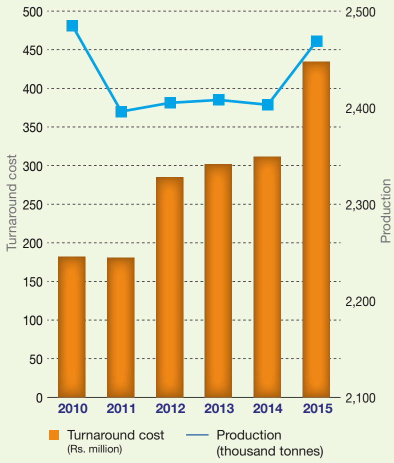
GOTH MACHHI PLANTS

Output of the Company's two plants at Goth Machhi was recorded at 849 thousand tonnes and 774 thousand tonnes for Plant-I and Plant-II respectively, in line with the production levels achieved last year.

PLANT WISE PRODUCTION
(Thousand tonnes)



TURNAROUND COST
(Rs. in million)



MAJOR PROJECTS

NATURAL GAS COMPRESSION PROJECTS

Natural gas reservoir pressure at Mari gas field is persistently diminishing causing reduction in supply pressures to the Plants. As part of a phased long term strategy, the Company initiated a natural gas compression project under which construction of foundation work for three compressor packages was completed during the year which are expected to come online during 2016.

REPLACEMENT OF AIR COMPRESSOR KNOCK-OUT VESSELS AND VANE UNITS

Air compressor knock-out vessels are being replaced owing to corrosion in the existing vessels. Moreover, existing vane units have also become inefficient due to higher plant load, adversely

OPERATIONAL PERFORMANCE

affecting the performance and useful life of the compressor. Installation of improved design vane units is therefore being carried out to avoid moisture carryover to the compressor.

IMPROVEMENT IN STORM WATER HANDLING

A sump is being constructed at Plant-I for collection of rain water and submersible pumps shall be installed to draw off the water to the Evaporation Pond in order to avoid any flooding at Plantsite during seasons of heavy downpour.

PLANT-II MAINTENANCE TURNAROUND 2015

11th maintenance turnaround of Plant-II was successfully undertaken in May 2015 with urea production resuming earlier than planned, without incurring any incident or injury during the activity.

Major jobs handled during the turnaround to improve reliability, sustainability and energy efficiency are as follows:

- Replacement of ammonia converter shell, basket and catalyst
- Replacement of primary reformer tubes and catalysts
- Refractory repair of primary reformer to enhance reliability
- Relining of 4 shell courses of urea reactor
- Overhauling and control system replacement of gas turbine
- Replacement of burner management system of auxiliary boiler
- Rehabilitation of ammonia pre-heater
- Remodeling of convection section of gas preheat coil

PLANT III

MIRPUR MATHELO

The Company's Plant-III at Mirpur Mathelo demonstrated exceptional performance by recording the highest ever annual production of 846 thousand tonnes, marking an improvement of 8% over last year.

During November 2015, the Plant was shut down for 90 hours to rectify leakage in urea reactor. Availing the opportunity, important maintenance jobs were also performed during this period to minimize later disruptions in production including leakage rectification of waste heat boiler lip seal and bearing replacement of synthesis compressor thrust.

Reinforcing the Company's commitment to employee safety, the Plant achieved over 6 million man hours of safe operation at the close of the year.

MAJOR PROJECTS

NEW GAS LINE FROM MARI GAS FIELD

To cope with declining natural gas well-head pressure, a new gas line is being laid from Mari gas field to plant site in parallel with the existing line. Field execution is underway and project completion is expected during first half of 2016.

MODERNIZATION OF TURBO GENERATOR

The existing hydraulic governor and mechanical over speed system of Turbo Generator were replaced with electronic governor and certified electronic over speed trip system in addition to installation of digital synchronizer and load controller. The new system is more precise and has a faster response time which enables handling of higher load changes by the generator.

GAS TURBINE REFURBISHMENT

Gas turbine at Plant-III was commissioned in November 2011 and its core engine and reduction gearbox were due for replacement. In order to avoid production loss, the replacement activity was conducted during the turnaround of Plant-II when increased gas pressures were available to compensate for the shutdown of gas turbine at Plant-III and was completed in one week against the planned duration of twelve days, despite harsh weather conditions.

PLC BASED WIRELESS DATA ACQUISITION SYSTEM FOR UREA COOLING TOWER

Relay based system for parameter indications & control for urea cooling tower was replaced with new Programmable Logical Control (PLC) system. The new system will be integrated with central control room through a wireless communication link for better monitoring and fast response.

LEVEL TRANSMITTER FOR STEAM DRUM

Eye-Hye level transmitter was installed on steam drum in place of conventional level transmitter which enhances accuracy in measurement of steam levels in all operating conditions to improve monitoring.

UPGRADATION OF VIBRATION SYSTEM OF TURBINE

The vibration monitoring system of cooling water pump turbines had become obsolete and was hence replaced with a new vibration monitoring system. A tripping system was also incorporated for turbine safety in case of high vibration.

HUMAN CAPITAL

Human capital is the driving force behind FFC's progress and the Company recognizes the importance of investing not only in talent acquisition but the management and retention thereof. FFC prides itself in being an equal opportunity employer, promoting gender diversity and providing one of the most rewarding career opportunities in the country thereby attracting high caliber professionals, and transforming them into future leaders.

Recognizing the ever increasing importance of human capital management, the Company has an effective and dynamic HR function, equipped with state of the art ERP solutions, to address all employee related matters including training, performance evaluation, career development and succession planning in a transparent and non-discriminatory manner while promoting a culture of integrity and compliance with the Company's Code of Conduct.

SUCCESSION PLANNING

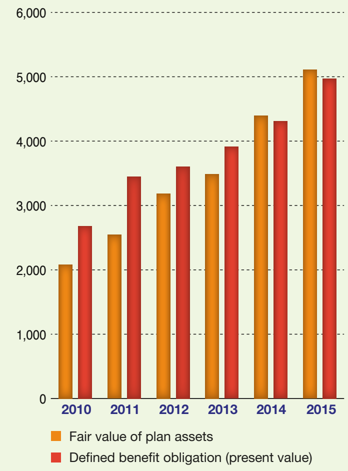
Detailed information on succession planning is available in the Human Resources portion of the 'Corporate Governance' Section of the Annual Report 2015.

RETIREMENT BENEFIT PLANS

The Company places high emphasis on offering a holistic value to its employees which includes ensuring their financial security upon retirement and in this regard, has a number of retirement benefit plans in place including funded gratuity and pension schemes, a contributory provident fund, besides provision of compensated absences.

As at December 31, 2015, fair value of plan assets of the Company's funded gratuity and pension schemes stood at Rs. 1.88 billion and Rs. 3.23 billion respectively, representing an aggregate increase of Rs. 0.71 billion compared to last year. Details of retirement benefit funds have been disclosed in note 11 to the financial statements.

RETIREMENT BENEFIT
– ASSET & LIABILITIES
(Rs. in million)



INFORMATION TECHNOLOGY

Development of the Company's Information Technology resources has been accorded a high priority to ensure accurate data processing, efficient communications, streamlined business processes and accumulation of market intelligence. The Company also continues its focus on continuous exploration of best technologies and infrastructure to enable effective and timely decision making, achieve cost efficiencies, drive revenue growth and maintain competitive advantages.

The technological infrastructure of the Company is aligned with our IT governance policy to promote transparency, accountability and dialogue, in addition to safeguarding Company information / data bank and maximizing the return on investment in technology through controlled spending.

FFC's commitment to being an industry leader in terms of IT implementation is evidenced through the achievement of the 'ISO 27001:2013 Certification' during the year. In addition, Company's Chief Information Officer was named as one of the '2016 Premier 100 Technology Leaders by International Data Group's (IDG, USA) digital magazine, Computerworld, for successfully leading the largest implementation of SAP ERP in Pakistan.

REVIEW BY THE BOARD OF DISASTER RECOVERY & BUSINESS CONTINUITY PLANNING

An effective Disaster Recovery System has been implemented by the Company to adequately respond in the event of disruptions / disasters for sustained business operations in addition to protection of Company's assets, employees, intellectual property and IT infrastructure without compromising customer satisfaction.

BUSINESS CONTINUITY PLANNING

FFC understands the significance of sustained / uninterrupted business operations for maintaining competitive advantages in addition to effective responding and has a well-defined business continuity planning function to ensure minimal disruption in case of any disaster / calamity or other adverse eventuality.

External as well as internal stakeholders from all critical functions of the Company have been engaged in the system for identification of critical activities and mitigation of disruptions therein. In addition, Business Continuity Planning (BCP) also serves the following purposes:

INVESTORS

BCP reposes the trust and confidence of investors in the Company's ability to adequately endure any difficulty for sustained enterprise value.

EMPLOYEES

Instills employee satisfaction regarding the Company's ability to ensure their safety.

CUSTOMERS

Promotes confidence in the customers that effective measures are in place for the Company to continue fulfilling its commitments towards them in case of any unforeseen events.

ORGANIZATION

An effective Business Continuity Plan helps maintaining the Company's corporate image, brand and reputation.

DISASTER RECOVERY PLANNING

In order to provide assurance regarding availability of IT services in case of disaster, an alternate Disaster Recovery site (DR) has been established to provide backup servers for shifting of activities during a disaster.

A comprehensive set of policies and procedures with assigned responsibilities has also been implemented to ensure uninterrupted movement of critical operations from primary site to DR site and ensure recovery of data, communications and network operations in the event of an unexpected and unscheduled interruption.

A Storage Area Network (SAN) supporting Storage Virtualization for Cloud Platform and Enhanced Replication has also been implemented for enhancing overall security architecture of the organization.

SAFETY & SECURITY OF IT RECORD

The Company's policy for 'Safety of Records' has been effectively implemented for security of all electronic data / record, including access controls in addition to 'real-time' on-site and remote backup of all data.

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY

FFC prides itself in possessing an enduring commitment towards sustainable and responsible business practices fulfilling our social duties and contributing to the needs of the Country's underprivileged communities, with a contribution of over 1% of our net earnings for the year 2015.

Fundamental to this commitment is the role we serve as a responsible corporate citizen. With over 3 decades of excellence in sustainable business operations, this commitment is now integrated with the interests of all stakeholders as reflected in our network of partners including Government bodies, community representatives, local and international Non-Profits Organizations (NGOs) and other institutions. Our diversified fields of intervention include:

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

MITIGATING THE ADVERSE IMPACT OF INDUSTRIAL EFFLUENTS AT FFC PLANTS

Conservation of the environment remains one of the major priorities of FFC and the Company has implemented the 'ISO 14001 Environment Management System' at Plantsites and Head Office to mitigate the detrimental effects of industrial effluents in accordance with international standards. Besides conducting regular employee trainings creating awareness on environmental preservation, the following projects were undertaken during the year with a view to mitigate any adverse impact on the environment:

COMMISSIONING OF UPGRADED UREA WASTE WATER TREATMENT SECTION

In order to improve environmental footprint of plant operations, Urea Process Condensate Treatment section of Plant-I was upgraded and successfully commissioned at the beginning of the year resulting in improved recovery of waste water in boiler feed water circuit and reduction in complex water intake.

CORPORATE SOCIAL RESPONSIBILITY

REPLACEMENT OF TOXIC BIOCIDE WITH SAFER ALTERNATES

Chlorine is used as a biocide at cooling towers. It is a toxic chemical and its storage and handling pose safety and environmental threats for workers and surrounding community. FFC has therefore, opted for switchover to inherently safer alternates at both operating locations.

COMMISSIONING OF AMMONIA RECOVERY UNIT

Ammonia recovery unit was completed during the year at Plant-I for recovery of ammonia from the Purge-Gas & Off-Gas streams of ammonia synthesis loop and to control the high NOx content in boiler flue gases. This has not only helped lower the NOx generation from boilers but also increased ammonia / urea production.

CORPORATE SOCIAL RESPONSIBILITY

HEALTHCARE

FFC places more than due emphasis on healthcare as a fundamental right of every person and endeavours to tailor its CSR program to ensure provision and improvement of essential medical facilities, especially in the vicinity of the Company's Head Office and Plantsites.

DONATIONS TO VARIOUS HOSPITALS

FFC donated Rs. 13 million for purchase of modern medical equipment for the Paediatric and Pulmonology Department at Military Hospital, Rawalpindi and contributed Rs. 4 million for the establishment of emergency section at Cantonment General Hospital, Rawalpindi.

During the year, FFC also donated Rs. 10 million towards the construction of Shaukat Khanum Memorial Cancer Hospital, Peshawar.

In addition to cash contributions, FFC also donated essential medical equipment to different hospitals during the year including:

- Provision of Phaco Machine for modern cataract surgery to Hazrat Bilal Trust Hospital, Sadiqabad worth Rs. 2.25 million in addition to donation of a Medonic Automatic Haematology Analyser
- Ambulances to a Basic Health Unit (BHU) in Jhimpir and to a hospital in Sillan Wali established by FFC and Al Mustafa Trust
- Provision of advance dental laboratory equipment to Sheikh Zayed Medical College Hospital, Rahim Yar Khan

COLLABORATION WITH AL-SHIFA TRUST EYE HOSPITAL

In continuation with FFC's comprehensive campaign for improvement in eye care initiated in 2013-14, FFC & Al Shifa again joined hands to provide quality and free of cost eye care treatment to the natives of remote and far flung areas of Rawalpindi District. The campaign, titled 'Hope for Light' featured 5 eye care camps at various locations throughout the year. The camps were fully funded by FFC, where experts from Al Shifa extended free of cost surgery, medicine and visual aids. In addition, FFC donated an ultra sound and biometry machine to further enhance the hospital's capacity for provision of trusted and quality ophthalmology services.

SPORTS PROMOTION & DEVELOPMENT

FFC has played a proactive role in the promotion of sports activities and development of new talent in the Country and continued its patronage during the year through the following initiatives:

- Sponsorship of the first All Pakistan Fauji Fertilizer Company Limited National Ranking Tennis Championship which saw 174 leading players from across Pakistan competing for the Championship
- Co-sponsorship of 46th National Athletics Championship-2015 which featured over 700 athletes participating in multiple sporting events
- Sponsorship of Pakistan Blind Cricket Council's T-20 Challenge Cup

EDUCATION

FFC deems provision of quality education as the single most crucial factor for long term development of the Country and has dedicated a substantial portion of its CSR program towards promoting education, especially in underprivileged and remote areas of the Country.

REHABILITATION OF SCHOOLS IN SADIQABAD, MIRPUR MATHELO AND JHIMPIR

FFC provided necessary supplies to 103 schools of Tehsil Sadiqabad and 905 orphans / deserving students in Mirpur Mathelo. Additional support to other schools during the year included:

- Construction of class sheds and classrooms for Govt. Girls Primary School, Basti Rehmatullah and Govt. Boys

Primary School, Ilyas Colony, Sadiqabad

- Comprehensive upgradation of Govt. High School Jhimpir including building of new infrastructure, renovation of existing facilities, establishment of science lab and overhauling of school bus
- Construction of new class rooms and associated facilities in addition to upgradation of existing classrooms at Govt. Girls Primary School Wahid Buksh Lar

COLLABORATION WITH LEADING ACADEMIA AND EDUCATIONAL INSTITUTES

FFC in collaboration with The Citizens Foundation, one of the leading NGOs in the education sector, has adopted a school in the General Fazal-e-Muqeem vicinity in Rawalpindi to extend quality education to deserving children of the community on minimal charges.

FFC also carried on to fully bear the expenses of labourers and contractual workers' talented children studying in Cadet College Ghotki by offering scholarships to 20 students.

COLLABORATION WITH TAMEER-E-MILLAT FOUNDATION (TMF)

FFC, in collaboration with the esteemed NGO TMF, sponsored 5 talented students in 2015 towards obtaining a Diploma of Associate Engineering inclusive of boarding and lodging at Tameer-e-Millat Institute of Technology, bringing the total number of students being sponsored by FFC at the Institute to 10.

MICROSOFT OFFICE CHAMPIONSHIP

This event is organized for students from across the globe to demonstrate their exceptional talent and skill in the field of Information Technology. FFC is committed to the provision of opportunities and relevant platforms for exceptional talent from underprivileged communities. In 2015, FFC offered sponsorship to 100 students from schools in Goth Machhi and Mirpur Mathelo for participation in an online qualifying test for the Microsoft Office Specialist World Championship.

ENERGY CONSERVATION

FFC believes in the optimum utilization of increasingly scarce resources, especially fossil fuels for sustained business growth. The Company remains committed towards energy efficiency and conservation and undertook several measures during the year towards this end.

A comprehensive 6.5 KW solar energy unit was set up at Fauji Foundation Community Welfare Complex-Kot Ghulam Muhammad which will act as the primary source of uninterrupted renewable energy for the facility.

ENERGY SAVING MEASURES AT FFC PLANTS

The Company remained focused on enhanced energy conservation and operating efficiencies with a number of operational improvements carried out at Plantsites during the year:

UPGRADATION OF VALVES AND SPACERS OF NATURAL GAS COMPRESSOR

In order to achieve energy savings, valves and spacers of a natural gas compressor were upgraded which resulted in a 2.5% capacity margin reduction in compressor's power consumption.

REPLACEMENT OF BACK PRESSURE TURBINE WITH MOTOR

Plant-I back pressure turbine was successfully replaced with electric motor resulting in a considerable improvement in the Plant's energy index.

ADDITIONAL COOLING TOWER CELL

In order to control the relatively high energy consumption at Plant-II during summer season due to the operating limitation of existing cooling towers, a new cooling tower cell is being constructed and is expected to be operational before the next summer season.

ENERGY CONSERVATION DRIVE AT HEAD OFFICE

An energy conservation campaign was launched at FFC Head Office, Sona Towers with focus on economizing energy usage and preventing energy wastage by conducting awareness sessions and pasting motivational stickers on various prominent locations compelling employees to conserve energy. Additionally, replacement of existing light fixtures with energy efficient alternatives is also in process.

ENVIRONMENTAL PROTECTION MEASURES / ENVIRONMENT RELATED INITIATIVES

FFC is pursuing several projects for environmental protection through adoption of cleaner technologies and efficient processes performing our role towards environmental preservation:

CORPORATE SOCIAL RESPONSIBILITY

- A wireless ammonia detection system comprising of 7 detectors was installed at Western and Southern boundary walls of Plant-III in order to continuously monitor ammonia levels in the atmosphere and undertake timely corrective actions, if required
- FFC has successfully adopted Oxo-biodegradable liners for product packaging at all Plants replacing the environmentally hazardous substances used previously with eco-friendly material capable of decomposing naturally
- FFC improved its industrial ventilation system at Plant-III through in-house development of a new piping system for replacement of dry de-dusting unit resulting in increased dust recovery and hence, improvement of the quality of industrial air released from the Plant
- The Company has formulated a strategy for going towards paperless environment and has commenced digitization of important historical documents besides sensitizing employees through trainings and seminars

WORLD WIDE FUND FOR NATURE (WWF) AND FFC PARTNERSHIP FOR THE CONSERVATION OF INDUS RIVER DOLPHIN

WWF-Pakistan and FFC joined hands to conserve the rare Indus river dolphin in Pakistan considered to be severely threatened due to its population being highly fragmented on account of construction of water regulatory barrages.

COMMUNITY INVESTMENT & WELFARE SCHEMES

FARM ADVISORY SERVICES

In addition to providing quality fertilizer and upholding its social responsibility to thrive the agricultural sector of Pakistan, FFC provides various support and advisory services to the farming community to increase awareness of latest technologies and augment per acre yields. Our Farm Advisory Centers (FACs) offer modern and sophisticated soil and water testing laboratories, a support service unique to FFC.

During the year, various activities were conducted by FFC Agri. Services Department for the welfare of farmers positively impacting the livelihood of around 65,000 farmers throughout Pakistan with some of these activities listed below:

- Seminars, farmer / village meetings and trainings
- Blitz programs
- Crop demonstrations
- Field days

SABA TRUST

SABA Trust is a reputed name in social welfare initiatives across Pakistan. The trust has established its orphanage for girls in Rawalpindi to provide quality living and education facilities. FFC has extended annual support to 2 orphans enrolled at Saba Trust bearing all expenses.

AUTISM SOCIETY

Autism Society of Pakistan (ASP) is a non-profit entity established as a national umbrella organization with a focused mandate for advocacy, fund raising, training, research and awareness about autism in Pakistan and has established a resource centre in Rawalpindi to extend education and inclusive programs to the children with autism. FFC is sponsoring 2 students at ASP's Autism Resource Centre for complete 1 year education and associated expenses.

CONSUMER PROTECTION MEASURES

The Company strongly believes in providing quality products to its customers and has an effective system in place for ensuring that consumer interests are safeguarded. In order to offer greater flexibility to its customers, FFC initiated an SMS service for farmers in 2015 which gives them information about pricing and shipments.

During the year, FFC also revolutionized its order placement and payment processes by introducing an electronic payment mechanism in collaboration with its associated company, Askari Bank Limited through ASKSONA Card, which acts as a transaction specific debit card, to cater to the business needs of its dealers.

Other measures relating to consumer protection include:

- Year round availability of FFC's field officers, present at all regional offices, to effectively respond to customer complaints or grievances and provide guidance and advice relating to fertilizer usage
- Usage of special colored stitching thread, which is changed after a specific time in order to control dumping, malpractices and pilferage of the product

- Ensuring timely product delivery through our extensive dealer and warehousing network
- Conduct of 'Customer Satisfaction Measurement Surveys' on bi-annual basis to obtain feedback from our dealers and concentrate on areas of improvement

PROCEDURES ADOPTED FOR QUALITY ASSURANCE OF PRODUCTS / SERVICES

The preference of FFC's brand by the farming community stands as proof of FFC's unwavering commitment towards achieving and maintaining the highest standards of product quality and providing invaluable agricultural advisory services translating into sustained market leadership of the Company.

In order to ensure timely provision of the best products providing optimum value for money, FFC implements broad based quality assurance measures in its production operations, some of which are described below:

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

a. Average Prill Size, mm

b. Biuret, Wt %

c. Moisture, Wt %

d. Crushing Strength, Grams

e. Total Fines, Wt %

Packaging of product is carried out in line with the best industry standards which ensure weight accuracy, product quality and nutrient retention.

Sales prices are printed on all fertilizer bags in addition to affixing of security labels (Pehchan Sticker) to ensure delivery of authentic and quality product. Oxo bio-degradable liners along with new bags with printed monogram of 'oxo-bio-degradable' are being used reinforcing the Company's commitment towards environmental conservation.

Further, the Company strives for continuous product quality improvement in order to maintain its competitive edge. In this respect Vibro Priller was installed at 2nd arm of prilling system at Plant-III in place of conventional prilling bucket in order to improve Sona Urea's physical appearance in shape and uniformity. In addition, FFC's Research & Development Department, in collaboration with national and international partners, is continuously working towards development of slow release, enhanced efficiency fertilizers that will help maximize yield and reduce the emissions of greenhouse gases.

INDUSTRIAL RELATIONS

Recognizing our employees as the Company's most valuable assets, FFC ensures provision of a conducive and non-discriminatory working environment to its employees with industry commensurate remuneration packages above statutory limits, and strongly believes in employee engagement. Employees are expected to observe and promote compliance with regulations and the Company fully appreciates employee rights including those of the Collective Bargaining Agent besides providing special incentives to maintain industrial peace through avoidance of labour disputes and operating disruptions.

EMPLOYMENT OF SPECIAL PERSONS

Upholding our social responsibility and reinforcing our commitment to diversity, FFC gives due importance to the recruitment, development and retention of special persons in the Company. Such individuals are provided special training and working environments to perform to their fullest potential while prioritizing their healthcare and other requirements to enable them to become independent and contributing members of the society.

OCCUPATIONAL SAFETY & HEALTH

FFC remains focused towards ensuring a safe and healthy working environment for its employees by voluntarily obtaining and maintaining certification of Quality, Environmental & Occupational Health and Safety Management Systems according to the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 at both Plantsites and the Head Office. Occupational safety of contracted workforce is ensured through Code of Conduct for contractors.

Giving due importance to employee health and wellbeing, biennial medical checkups were conducted during the year for employees below the age of 40 for early detection of any underlying health issues.

FFC also promotes adoption of healthier habits by its employees

CORPORATE SOCIAL RESPONSIBILITY

and celebrated the World No Tobacco Day on 31st May 2015 to encourage employees to give up smoking.

INTEGRATED MANAGEMENT SYSTEM HEAD OFFICE & PLANTSITES

During the year, the Company successfully obtained recertification of Quality, Occupational Health & Safety and Environmental Management Systems as per the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 international standards, for the Head Office and Company Plantsites.

BUSINESS ETHICS & ANTI-CORRUPTION MEASURES

FFC ensures strict compliance with all regulatory and governance requirements in its operations. In addition, the Company has internally formulated a 'Code of Business Ethics', 'Code of Conduct', 'Whistle Blowing Policy' and a policy on 'Sexual Harassment'. Effective implementation of these policies is continuously monitored to ensure honesty, integrity and transparency in all business practices and activities, throughout the Company, through the following salient measures:

- Compliance with applicable laws and regulations and refrainment from any illegal activity
- Strict prohibition on use of one's position for undue coercion, harassment or intimidation
- Conduct of activities with honesty, integrity, truthfulness and honour
- Impartiality in business dealings and refrainment from any Company transaction involving personal interest
- Avoidance of conflict of interest by directors, or appropriate disclosure in case of inability to avoid conflict
- Refrainment from dealings conflicting with Company's interests and exercise of extreme care and disclosure of matter in case of unavoidable personal interest
- Confidentiality of Company's sensitive information by directors and employees of the Company
- Respect of fellow members and discouragement of any kind of discrimination between 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 ensuring that such activities are not repeated

The Company also incorporated the slogan '**Say No to Corruption**' in all its official correspondence reinforcing the Company's commitment towards zero tolerance for corruption.

NATIONAL CAUSE DONATIONS

DONATION TO FALAH FOUNDATION CITY OF EDUCATION

Standing steadfast with the families of martyrs, FFC, in collaboration with Falah Foundation extended support during the year for the construction of Hostel Building at Gen. Mushtaq Baig Campus Chakwal for children of 'shuhadah'.

DONATION TO CHITRAL FLOOD AFFECTEES

In view of unprecedented floods faced by the residents of Chitral District, FFC contributed Rs. 1 million to supplement the emergency response from Pak Armed Forces for disaster relief.

RELIEF AND REHABILITATION

A massive earthquake struck Pakistan in October 2015, leaving over 100,000 households affected. Living up to its legacy, FFC undertook a comprehensive campaign to reach out to fellow countrymen in distress and extended support in the form of 10,000 quilts and 250 household tents.

CONTRIBUTION TO NATIONAL EXCHEQUER

Cash contribution to National Exchequer of around Rs. 60 billion for the year comprising of taxes, levies and accrued GIDC being 33% higher than last year, is the highest in the Company's history bringing the cumulative contribution as at December 31, 2015 to Rs. 353 billion.

Value addition in terms of foreign exchange savings worked out to US $ 654 million through import substitution based on 2,408 thousand tonnes of urea sold during the year.

Total value addition to the economy in 2015 was Rs. 80 billion.

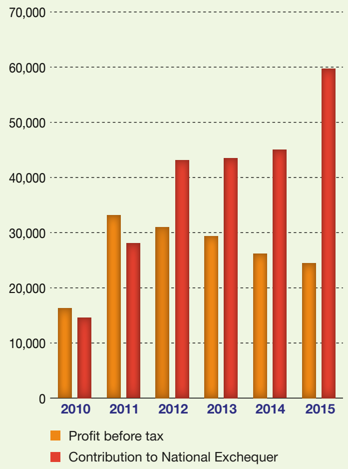
STATEMENT OF VALUE ADDED - 2015

2015	Rs. in million	%
WEALTH GENERATED		
Total revenue inclusive of sales tax and other income	106,414	132.7%
Purchases - material and services (net)	(26,249)	(32.7%)
	80,165	100.0%
WEALTH DISTRIBUTION		
TO EMPLOYEES AS REMUNERATION		
Salaries, wages and other benefits including retirement benefits	7,908	9.9%
TO GOVERNMENT AS TAXES		
Income tax, sales tax, excise duty and custom duty*	52,020	64.9%
WPPF and WWF	1,762	2.2%
To Shareholders as dividend	10,738	13.4%
To providers of finance as financial charges	1,475	1.8%
Retained within the business	6,094	7.6%
TO SOCIETY		
Donations and welfare activities	168	0.2%
	80,165	100.0%

** Includes GIDC*

Economic Value Added	12,470

PROFIT BEFORE TAX & CONTRIBUTION TO NATIONAL EXCHEQUER
(Rs. in million)



STATEMENT OF CHARITY ACCOUNT

Rs. in million

	2015	2014
Education	101	67
Healthcare & Environment	39	66
Sports Development	2	1
Community Welfare	19	19
National Cause	5	24
General Donations	2	11
	168	188

CORPORATE SOCIAL RESPONSIBILITY

RURAL DEVELOPMENT PROGRAMS

CONSTRUCTION OF BASTI KHAI LINK ROAD

Responding to the severe problems faced by residents of Basti Khai and surrounding communities of FFC Plant at Goth Machhi due to non-existent road structure, FFC undertook the construction of Basti Khai Link Road to Goth Machhi to alleviate the difficulties of local population.

CONSTRUCTION OF GOVT. GIRLS HIGH SCHOOL TANDA GAMBHIR, POONCH AJK

On receipt of a humanitarian appeal from residents of village Tanda Gambir for financial assistance regarding reconstruction of Govt. Girls High School Tanda Gambhir destroyed by flash floods in August 2014, and recognizing the significant of the facility in terms of being the only high school for girls in the surrounding villages, FFC undertook the construction of a new building for the destroyed school.

COLLABORATION WITH MUBARAKA TRUST

During the year, FFC donated a clean water filtration plant to be utilized by over 800 students and residents of Mubaraka Trust campus at Zafarwal village in Sialkot.

REHABILITATION OF GOVT. PRIMARY SCHOOL VILLAGE KHATTIAN

FFC incurred a sum of Rs. 2 million in 2015 for construction of 2 classrooms and a veranda to improve the educational facility for children in village Khattian.

ASSISTANCE TO PUBLIC LIBRARY THATTA

FFC donated reputed books to the newly established community library at Thatta in order to promote education and increase literacy among the underprivileged students from remote communities located in the vicinity.

FORWARD LOOKING STATEMENT

متوقع مستقبل

کمپنی کی پیداوار اور فروخت عمومی رجحان کے مطابق رہی۔ تاہم فیڈ اور فیول گیس کی قیمتوں میں، جو کہ کمپنی کے اختیار میں نہیں ہیں، غیر معمولی اضافہ ہوا اور ناموافق کاروباری حالات کی وجہ سے کمپنی کو یہ اضافے برداشت کرنا پڑے۔ جبکہ دیگر اخراجات زیادہ تر متوقع سطح پر ہی رہے سوائے ان تغیرات کے جو پہلے ہی مالیاتی جائزہ کے دوران بیان کر دیے گئے ہیں۔

GIDC کی ادائیگی اور working capital کو پورا کرنے کے لیے لئے گئے قرضہ جات کی وجہ سے مالیاتی لاگت میں قابل قدر اضافہ ہوا، اور اضافی ٹیکس کے نفاذ کی وجہ سے منافع میں مزید کمی واقع ہوئی۔

مجموعی طور پر dividend کی ترسیلات متوقع سطح پر ہی رہیں ، جبکہ FFF کی تجارتی پیداوار کا ہدف بھی حاصل کر لیا گیا۔ اور بیرون ملک کھاد کے پیداواری منصوبے اور دیگر منصوبوں پر ہونے والی پیشرفت سے بورڈ مطمئن ہے۔

کمزور زرعی معیشت اور مارکیٹ کی غیر یقینی صورت حال، مستقبل میں کمپنی کی آمدن اور منافع کے لیے خطرات کے طور پر موجود رہیں گے جو کہ گزشتہ سال کے مقابلے میں متوقع اضافی مالی لاگت کے باعث مزید متاثر ہو سکتے ہیں۔

سال 2015 کے دوران کمپنی کے منافع میں کمی کا سب سے بڑا سبب اضافی محصولات تھے۔ اضافی طور پر ، کھاد پالیسی 2001 کے برعکس، کمپنی دنیا کی مہنگی ترین (بشمول GIDC) اور متعصبانہ سطح کی فیڈ گیس قیمتوں کا بھی نشانہ ہے۔ چنانچہ موزوں حکومتی پالیسیاں مقامی کھاد کی صنعت کے فروغ اور اس کی پیداواری لاگت کو مسابقتی سطح پر رکھنے کے لیے نہایت اہم ہیں۔

ہم کمپنی کے لیے مختص کردہ 34 MMSCFD گیس کا کوٹہ بحال کرانے کے لیے پر عزم ہیں۔ اضافی گیس کی فراہمی اور اپنی پیشہ ورانہ مہارت کے ساتھ ہم ،اعلیٰ معیار کی کھادوں کی فروخت کے ذریعے ،اپنے کاروباری شراکت داروں کی توقعات پر پورا اترتے رہیں گے۔

اس کے علاوہ کمپنی کی دیگر سرمایہ کاریاں اضافی آمدی کا بہترین ذریعہ ہیں جیسا کہ FFBL, AKBL اور FCCL کے بڑھتے ہوئے dividend سے واضح ہے۔

اپنے مالیاتی معاہدوں کی شرائط پورا کر لینے کے بعد، FFCEL سے بھی مستقبل قریب میں dividend کی ادائیگیاں متوقع ہیں۔ اور غذائی اشیاء کو Process کرنے والا ہمارا منصوبہ FFF، جس نے یکم جنوری 2016 کو تجارتی پیداوار شروع کی تھی، ملکی اور بین الاقوامی منڈیوں میں اپنی مصنوعات کے لیے طلب پیدا کرنے کی جدوجہد سے گزر کر کمپنی کے لیے طویل المدت پائیدار آمدن کا ذریعہ بن جائے گا۔ کمپنی تھر میں کوئلے کی پیداوار کے منصوبوں پر بھی غور کر رہی ہے۔ جبکہ تنزانیہ میں لگایا جانے والا ہمارا سمندرپار کھاد کی صنعت کا منصوبہ کمپنی کے لیے اضافی آمدن کے ساتھ ساتھ ملک کے لیے قیمتی زر مبادلہ کے حصول کا بھی ذریعہ ہو گا۔اس کے علاوہ، کمپنی FFF کے bio-waste کو bio-fertilizer اور میتھین گیس میں تبدیل کرنے کے منصوبے پر بھی غور کر رہی ہے۔

ہمارا کاروباری انداز، ہمارے دائرہ اختیار سے باہر گیس کی قیمتوں اور سرکاری محصولات کے علاوہ، ہر قسم کے ناموافق کاروباری حالات کا مقابلہ کرنے کی اہلیت رکھتا ہے اور ہمیں یقین ہے کہ اخراجات کو کم کرنے کے اقدامات ، استعداد اور کارکردگی میں مسلسل اضافے کے عزم کے ساتھ ساتھ، مختلف کاروباری منصوبوں کی مدد سے ہم اپنے حصہ داروں کے لیے پائیدار آمدن کا ہدف حاصل کرتے رہیں گے۔

FORWARD LOOKING STATEMENT

ANALYSIS OF PRIOR PERIOD'S FORWARD LOOKING DISCLOSURES

Company sales and production levels remained broadly in line with the trend. The uncontrollable feed / fuel gas pricing however registered a substantial increase, which had to be absorbed significantly in view of depressed market conditions, whereas other operating costs remained mostly at projected levels, except for the variances discussed above in the financial review section. Finance cost witnessed a considerable escalation because of financing obtained for repayment of GIDC obligation and working capital requirements, and the profitability was further suppressed by imposition of incremental taxation.

Overall dividend receipts remained at projected levels, while successful commencement of commercial operations by FFF was also achieved, and the Board is satisfied with the progress of planned setting up of offshore fertilizer complex and other diversification projects.

FORWARD LOOKING STATEMENT

Going forward, poor farm economics and uncertain market conditions continue to pose a risk to Company revenues and profitability, which are projected to be further impacted by higher financing costs compared to last year.

Incremental levies were the biggest factor behind reduced Company margins for the year 2015. In addition, the Company is subjected to one of the highest and discriminatory levels of feed

gas prices (including GIDC) in the world, in contrast to the Fertilizer Policy 2001. Suitable Governmental policies are therefore vital for promotion of the indigenous fertilizer sector, besides maintaining local fertilizer production costs at competitive levels.

We remain committed to achieve an early restoration of the Company's allocated gas quota of 34 MMSCFD. With enhanced availability of gas together with our operational efficiencies, we shall continue to meet the expectations of our business partners through marketing of premium quality fertilizers.

The Company's long term strategic investments are also well positioned to generate sustained income streams for the Company as evidenced through the incremental dividend receipts from AKBL and FCCL besides the distributions from FFBL.

FFCEL is also expected to commence payouts in the near future, after having fulfilled the conditions laid out by FFCEL's financing covenants, whereas our food processing venture FFF, which commenced its commercial operations on January 01, 2016, is projected to face an initial gestation period to establish sufficient demand in both local and international markets, eventually yielding long term sustainable returns for the Company. The Company is further evaluating opportunities for mining in the Thar coalfields, whereas our endeavour to establish an offshore fertilizer plant in Tanzania shall not only render incremental income for the Company but also generate valuable foreign exchange for the Country. In addition, FFC is also considering efficient / economic conservation of bio-waste generated by FFF, through conversion into methane and bio-fertilizers.

Except for the non-controllable gas costs and Governmental levies, our Business Model is designed for resilience against adverse market conditions, and we are confident that through our austerity initiatives and commitment for continued enhancement in efficiency and productivity, besides the diversification projects, we shall continue to achieve our targets for sustained returns to the shareholders.

On behalf of the Board,

Lt Gen Khalid Nawaz Khan
HI (M), Sitara-i-Esar (Retired)
Chairman
Rawalpindi
January 27, 2016

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 2015, and reports that:

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

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

- Appropriate accounting policies have been consistently applied except for the changes, if any, which have been appropriately disclosed in the financial statements. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, for the financial year ended December 31, 2015, 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, KPMG Taseer Hadi & 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, 2015 and shall retire on the conclusion of the 38th 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 38th Annual General Meeting scheduled for March 17, 2016 and have indicated their willingness to continue as Auditors.

- Being eligible for reappointment as Auditors of the Company, 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, 2016.

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

Engr Rukhsana Zuberi
Chairperson - Audit Committee

Rawalpindi
January 27, 2016

STATEMENT OF COMPLIANCE
WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 (XI) of listing regulations of Pakistan Stock Exchange (formerly Karachi Stock Exchange) 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), Sitara-i-Esar, (Retd)
Non-Executive	Mr Qaiser Javed
Non-Executive	Dr Nadeem Inayat
Non-Executive	Maj Gen Muhammad Farooq Iqbal, HI(M) (Retd)
Non-Executive	Brig Dr Gulfam Alam, SI(M) (Retd)
Non-Executive	Mr Muhammad Arif Azim
Non-Executive	Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retd)
Non-Executive	Mr Per Kristian Bakkerud
Executive	Lt Gen Shafqaat Ahmed, 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 2015 were filled up by the directors within 7 days:

   - Maj Gen Mumtaz Ahmad Bajwa, HI(M) (Retd) appointed in place of Maj General Ghulam Haider, HI(M) (Retd) w.e.f February 01, 2015
   - Lt Gen Shafqaat Ahmed, HI(M) (Retd) appointed in place of Lt Gen Naeem Khalid Lodhi, HI(M) (Retd) w.e.f March 26, 2015
   - Mr. Muhammad Arif Azim appointed in place of Mr. Khizar Hayat Khan w.e.f May 12, 2015
   - Mr. Per Kristian Bakkerud appointed in place of Mr. Jorgen Madsen w.e.f June 16, 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, other executive 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. The Board arranged regular training programs for its directors during the year.

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 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.

Lt Gen Shafqaat Ahmed HI (M), (Retired)
Chief Executive & Managing Director

Rawalpindi
January 27, 2016

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 of Fauji Fertilizer Company Limited ("the Company") for the year ended 31 December 2015 to comply with the requirements of Listing Regulation No 35 (XI) of the Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report and if it does not, 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 of Directors' 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 of Directors for their review and approval of 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 complines of this requirement to the extent of the approval of the related party transactions by the Board of Directors 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 31 December 2015.

KPMG Taseer Hadi & CO.
CHARTERED ACCOUNTANTS

Engagement Partner: Syed Bakhtiyar Kazmi
Islamabad
January 27, 2016

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 31 December 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting polices consistently applied, except for change as indicated in note 4.24 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the profit, its cash flows and changes in equity for the year then ended: and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

The financial statement of the Company for the year ended 31 December 2014, were audited by another auditor whose report dated 30 January 2015 expressed an unmodified opinion on those statements.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & CO.
CHARTERED ACCOUNTANTS

Engagement Partner: Syed Bakhtiyar Kazmi
Islamabad
January 27, 2016

BALANCE SHEET
AS AT DECEMBER 31, 2015

	Note	2015	2014
		(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	13,894,676	12,483,585
Surplus on remeasurement of investments available for sale to fair value		534,407	303,564
		27,311,465	25,669,531
NON - CURRENT LIABILITIES			
Long term borrowings	8	15,892,599	2,500,000
Deferred liabilities	9	4,600,324	4,574,028
		20,492,923	7,074,028
CURRENT LIABILITIES			
Trade and other payables	10	8,113,918	37,904,434
Interest and mark-up accrued	12	268,094	30,117
Short term borrowings	13	18,020,602	11,602,443
Current portion of long term borrowings	8	4,509,839	1,780,000
Taxation		1,413,048	2,501,109
		32,325,501	53,818,103
TOTAL EQUITY AND LIABILITIES		80,129,889	86,561,662
CONTINGENCIES AND COMMITMENTS	14		

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

	Note	2015	2014
		(Rupees '000)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	21,381,702	20,093,898
Intangible assets	16	1,576,720	1,611,204
Long term investments	17	29,129,475	28,134,520
Long term loans and advances	18	814,298	823,188
Long term deposits and prepayments	19	13,001	15,624
		52,915,196	50,678,434
CURRENT ASSETS			
Stores, spares and loose tools	20	3,395,762	3,314,823
Stock in trade	21	5,100,020	981,750
Trade debts	22	1,773,698	822,460
Loans and advances	23	1,024,594	1,058,754
Deposits and prepayments	24	39,323	26,376
Other receivables	25	2,807,262	1,072,461
Short term investments	26	10,334,720	27,432,837
Cash and bank balances	27	2,739,314	1,173,767
		27,214,693	35,883,228
TOTAL ASSETS		80,129,889	86,561,662

Chairman **Chief Executive** **Director**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		(Rupees '000)	
Sales	28	84,831,024	81,240,187
Cost of sales	29	55,949,370	50,136,749
GROSS PROFIT		28,881,654	31,103,438
Distribution cost	30	6,813,591	6,431,667
		22,068,063	24,671,771
Finance cost	31	1,474,801	848,940
Other expenses	32	2,284,624	2,302,937
		18,308,638	21,519,894
Other income	33	6,194,231	4,720,866
NET PROFIT BEFORE TAXATION		24,502,869	26,240,760
Provision for taxation	34	7,737,000	8,070,000
NET PROFIT AFTER TAXATION		16,765,869	18,170,760
Earnings per share - basic and diluted (Rupees)	35	13.18	14.28

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, 2015

	2015	2014
	(Rupees '000)	
Net profit after taxation	16,765,869	18,170,760
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Surplus on remeasurement of investments available for sale to		
fair value - net of tax	230,843	293,056
Items that may not be subsequently reclassified to profit or loss		
(Loss) / gain on remeasurement of staff retirement benefit plans - net of tax	(164,255)	56,621
Other comprehensive income - net of tax	66,588	349,677
Total comprehensive income for the year	16,832,457	18,520,437

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, 2015

	Note	2015	2014
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	37	(12,686,148)	39,191,657
Finance cost paid		(1,236,824)	(753,024)
Income tax paid		(9,102,805)	(9,349,085)
Net cash (used in) / generated from operating activities		(23,025,777)	29,089,548
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,279,461)	(3,478,894)
Proceeds from disposal of property, plant and equipment		22,079	45,286
Interest received		1,757,798	1,283,293
Sale of shares in Fauji Fertilizer Bin Qasim Limited		–	375,139
Investment in Fauji Fresh n Freeze Limited		(400,000)	(450,000)
Decrease / (increase) in other investment - net		454,093	(8,083,631)
Dividends received		2,719,587	2,578,319
Net cash generated from / (used in) from investing activities		1,274,096	(7,730,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		18,621,000	–
- repayments		(2,498,562)	(1,460,000)
Dividends paid		(15,443,056)	(17,582,658)
Net cash generated from / (used in) financing activities		679,382	(19,042,658)
Net (decrease) / increase in cash and cash equivalents		(21,072,299)	2,316,402
Cash and cash equivalents at beginning of the year		15,281,142	13,012,602
Effect of exchange rate changes		(73,067)	(47,862)
Cash and cash equivalents at end of the year	38	(5,864,224)	15,281,142

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, 2015

	Share capital	Capital reserves	Revenue reserves		Surplus on remeasurement of investments available for sale to fair value	Total
			General reserve	Unappropriated profit		
	(Rupees '000)					
Balance as at January 1, 2014	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 - recorded directly in equity						
Final dividend 2013: Rs 4 per share	–	–	–	(5,088,952)	–	(5,088,952)
First interim dividend 2014: Rs 3 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 as at December 31, 2014	12,722,382	160,000	6,802,360	5,681,225	303,564	25,669,531
Balance as at January 1, 2015	12,722,382	160,000	6,802,360	5,681,225	303,564	25,669,531
Transfer to general reserve	–	–	–	–	–	–
Total comprehensive income for the year						
Profit after taxation	–	–	–	16,765,869	–	16,765,869
Other comprehensive income - net of tax	–	–	–	(164,255)	230,843	66,588
	–	–	–	16,601,614	230,843	16,832,457
Distribution to owners - recorded directly in equity						
Final dividend 2014: Rs 3.50 per share	–	–	–	(4,452,833)	–	(4,452,833)
First interim dividend 2015: Rs 3.94 per share	–	–	–	(5,012,618)	–	(5,012,618)
Second interim dividend 2015: Rs 1.75 per share	–	–	–	(2,226,417)	–	(2,226,417)
Third interim dividend 2015: Rs 2.75 per share	–	–	–	(3,498,655)	–	(3,498,655)
	–	–	–	(15,190,523)	–	(15,190,523)
Balance as at December 31, 2015	12,722,382	160,000	6,802,360	7,092,316	534,407	27,311,465

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, 2015

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). Previously, the shares of the Company were quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. However, due to integration of these Stock Exchanges into Pakistan Stock Exchange effective January 11, 2016 the shares of the Company are now quoted on Pakistan Stock Exchange. 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, food processing and banking operations.

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

2. STATEMENT OF COMPLIANCE

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

3. USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 fair value of investments available for sale - note 17
(v) Estimate of obligation in respect of employee benefit plans - note 11
(vi) Provisions and contingencies
(vii) Estimate of recoverable amount of goodwill - note 16
(viii) Estimate of recoverable amount of investment in associated companies - note 17
(ix) 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 except for the change as indicated in note 4.24 of these financial statements.

4.1 Basis of measurement

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

4.2 Functional and presentation currency

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

4.3 Staff Retirement benefits

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

Funded Gratuity and Pension Scheme:

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

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

Charge for the year is recognized in profit and loss account. Acturial gain or losses arising on acturial valuation are recorded directly in the other comprehensive income.

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

Contributory Provident Fund

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

(b) Compensated absences

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

4.4 Taxation

Income tax expense comprises current and deferred tax.

Current tax

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 realized. Deferred tax is not recognized 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 realized 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 recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized 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 recognized 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

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

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 recognized as goodwill and thereafter tested for impairment annually. Subsequent to initial recognition goodwill is recognized at cost less impairment, if any. In respect of equity accounted investees, goodwill is included in the carrying amount of investment.

4.8 Investments

4.8.1 Investment in subsidiaries

Investment in subsidiary is initially recognized 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 recognized as expense in profit or loss. Where impairment loss subsequently reverses, 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 recognized 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 recognized 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 recognized as expense in the profit or loss. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized 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 investment 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 recognized in other comprehensive income until disposal at which time these are recycled to profit or loss. Impairment loss on investments available for sale is recognized in the profit or loss.

4.8.4 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.

4.8.5 Loans and receivables

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

4.9 Stores, spares and loose tools

Stores, spare parts and loose tools are valued at lower of weighted average cost and net realizable value.

For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

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

4.10 Stock in trade

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

Cost is determined as follows:

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

Cost of raw material, work in process and finished goods comprises of direct materials, labor and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 in Pak Rupees 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 and loss account for the year.

4.12 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Government subsidy on sale of fertilizer is recognised when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognised in other income.

4.13 Borrowing costs

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

4.14 Research and development costs

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

4.15 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of 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 discount rate that reflects current market assessment of time value of money and risk specific to the liability.

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 recognized in the year in which it is approved.

4.18 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets as available for sale (note 4.8.3), held for trading (note 4.8.4), loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

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.

Non-derivative financial liabilities

The Company initially recognizes non derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise markup bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.19 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.

4.20 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 recognized as it accrues in profit or loss, using effective interest method. Dividend income is recognized 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 recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using effective interest method.

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

4.21 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.

4.22 Intangible assets with finite useful life

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.

4.23 Contingent Liabilities

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

4.24 Application of new accounting standard

The Company has adopted IFRS 13: "Fair value measurement", which became applicable to annual financial statements for the period beginning 1 January 2015. IFRS 13 establishes a single framework for measuring fair value and enhances or replaces the disclosures about fair value measurement. Further, it unifies the definition of fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2016:

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

Accounting for Acquisition of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

Agriculture: Bearer Plants (Amendment to IAS 16 and IAS 41) (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2014: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2014: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015	2014		2015	2014
(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% (2014: 44.35%) ordinary shares of the Company at the year end.

	Note	2015	2014
		(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.

	2015	2014
	(Rupees '000)	
7. REVENUE RESERVES		
General reserve	6,802,360	6,802,360
Unappropriated profit	7,092,316	5,681,225
	13,894,676	12,483,585

	Note	2015	2014
		(Rupees '000)	
8. LONG TERM BORROWINGS			
Loans from banking companies - secured	8.1		
Al Baraka Bank (Pakistan) Limited (AIBL)		–	25,000
Dubai Islamic Bank Pakistan Limited (DIB - 1)		–	30,000
Dubai Islamic Bank Pakistan Limited (DIB - 2)		250,000	350,000
The Bank of Punjab (BOP - 1)		–	125,000
The Bank of Punjab (BOP - 2)		500,000	750,000
The Bank of Punjab (BOP - 3)		450,000	–
Allied Bank Limited (ABL - 1)		625,000	1,250,000
Allied Bank Limited (ABL - 2)		1,350,000	–
United Bank Limited (UBL - 1)		1,125,000	1,500,000
United Bank Limited (UBL - 2)		1,000,000	–
Meezan Bank Limited (MBL - 1)		–	250,000
Meezan Bank Limited (MBL - 2)		2,000,000	–
Meezan Bank Limited (MBL - 3)		1,000,000	–
Bank AL Habib Limited (BAH -1)		900,000	–
Bank AL Habib Limited (BAH - 2)		1,000,000	–
Habib Bank Limited (HBL- 1)		2,000,000	–
Habib Bank Limited (HBL - 2)		1,500,000	–
Bank Alfalah Limited (BAF)		500,000	–
MCB Bank Limited (MCB - 1)		2,933,438	–
MCB Bank Limited (MCB - 2)		2,000,000	–
MCB Bank Limited (MCB - 3)		369,000	–
MCB Islamic Bank Limited (MCBIB)		900,000	–
		20,402,438	4,280,000
Less: Current portion shown under current liabilities		4,509,839	1,780,000
		15,892,599	2,500,000

8.1 Terms and conditions of these borrowings are as follows:

Lenders	Mark-up rate p.a. (%)	No of installments outstanding	Date of final repayment
AIBL	6 months KIBOR+0.50	Nil	Paid on June 27, 2015
DIB - 1	6 months KIBOR+0.35	Nil	Paid on June 30, 2015
DIB - 2	6 months KIBOR+0.35	05 half yearly	June 26, 2018
BOP - 1	6 months KIBOR+0.50	Nil	Paid on December 30, 2015
BOP - 2	6 months KIBOR+0.50	04 half yearly	December 27, 2017
BOP - 3	6 months KIBOR+0.35	09 half yearly	May 26, 2020
ABL - 1	6 months KIBOR+0.50	02 half yearly	December 23, 2016
ABL - 2	6 months KIBOR+0.40	09 half yearly	June 26, 2020
UBL - 1	6 months KIBOR+0.35	06 half yearly	December 27, 2018
UBL - 2	6 months KIBOR+0.35	08 half yearly	June 30, 2020
MBL - 1	6 months KIBOR+0.50	Nil	Paid on December 30, 2015
MBL - 2	6 months KIBOR+0.05	07 half yearly	July 15, 2019
MBL - 3	6 months KIBOR+0.40	08 half yearly	May 29, 2020
BAH - 1	6 months KIBOR+0.50	09 half yearly	June 26, 2020
BAH - 2	6 months KIBOR+0.40	04 half yearly	September 21, 2017
HBL - 1	3 months KIBOR+0.40	16 Quarterly	June 2, 2020
HBL - 2	3 months KIBOR+0.40	16 Quarterly	September 21, 2020
BAF	6 months KIBOR+0.50	08 half yearly	September 29, 2020
MCB - 1	6 months KIBOR+0.10	07 half yearly	June 3, 2019
MCB - 2	6 months KIBOR+0.40	08 half yearly	June 29, 2020
MCB - 3	6 months KIBOR+0.10	08 half yearly	November 9, 2019
MCBIB	6 months KIBOR+0.50	08 half yearly	December 10, 2020

These finances have been obtained for ongoing capital expenditure requirements of the Company besides equity investments in its subsidiary. The finances are secured by way of equitable mortgage / hypothecation of Company assets including plant, machinery, tools & spares and other moveable properties including stocks & book debts, ranking pari passu with each other with 25% margin and lien over Pakistan Investment Bonds (PIBs) with 10% margin.

	Note	2015	2014
		(Rupees '000)	
9. DEFERRED LIABILITIES			
Deferred taxation	9.1	3,373,128	3,650,872
Provision for compensated leave absences / retirement benefits		1,227,196	923,156
		4,600,324	4,574,028

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

		Note	2015	2014
			(Rupees '000)	
9.1	**DEFERRED TAXATION**			
	The balance of deferred tax is in respect of the following temporary differences:			
	Accelerated depreciation / amortisation		3,253,021	3,765,586
	Provision for slow moving spares, doubtful debts, other receivables and investments		(111,000)	(139,565)
	Retirement benefit obligations		–	(132,949)
	Remeasurement of investments available for sale		231,107	157,800
			3,373,128	3,650,872
	The gross movement in the deferred tax liability during the year is as follows:			
	Balance at the beginning		3,650,872	3,259,563
	Tax (credit) / charge recognised in profit and loss account		(484,000)	203,021
	Tax charge / adjustment recognised in other comprehensive income	9.1.1	206,256	188,288
	Balance at the end		3,373,128	3,650,872

9.1.1 Out of this amount Rs 132,949 thousand has been transferred to current tax charge recongized through other comprehensive income during the year.

9.2 Actuarial valuation has not been carried out for Compensated Leave Absences as the impact is considered to be immaterial.

		Note	2015	2014
			(Rupees '000)	
10.	**TRADE AND OTHER PAYABLES**			
	Creditors	10.1	1,475,991	25,417,864
	Accrued liabilities		2,588,789	2,415,831
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		547,401	131,667
	Sales tax payable - net		949,766	1,090,128
	Deposits		252,533	215,453
	Retention money		143,480	162,956
	Advances from customers		87,541	6,378,845
	Workers' Welfare Fund		1,226,298	1,191,661
	Payable to gratuity fund		133,690	–
	Unclaimed dividend		613,948	866,481
	Payable to Fauji Fresh n Freeze Limited		30,317	–
	Other liabilities		64,164	33,548
			8,113,918	37,904,434

10.1 Creditors include Rs 829,260 thousand (2014: Rs 24,740,966 thousand) on account of Gas Infrastructure Development Cess (GIDC).

		Funded gratuity	Funded pension	2015 Total	2014 Total
		(Rupees '000)			
11.	**RETIREMENT BENEFIT FUNDS**				
i)	**The amounts recognized in the balance sheet are as follows:**				
	Present value of defined benefit obligation	2,012,620	2,960,262	4,972,882	4,309,990
	Fair value of plan assets	(1,878,930)	(3,228,398)	(5,107,328)	(4,397,099)
	Liability / (Asset)	133,690	(268,136)	(134,446)	(87,109)
ii)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	106,042	121,952	227,994	198,506
	Net interest cost	(3,059)	27,342	24,283	55,238
		102,983	149,294	252,277	253,744
iii)	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	1,818,169	2,491,821	4,309,990	3,915,304
	Current service cost	106,042	121,952	227,994	198,506
	Interest cost	206,419	317,586	524,005	495,963
	Benefits paid	(230,287)	(145,475)	(375,762)	(234,346)
	Remeasurement of defined benefit obligation	112,277	174,378	286,655	(65,437)
	Present value of defined benefit obligation at end	2,012,620	2,960,262	4,972,882	4,309,990
iv)	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	1,846,259	2,550,840	4,397,099	3,488,780
	Expected return on plan assets	209,478	290,244	499,722	440,725
	Contributions	74,893	459,371	534,264	680,268
	Benefits paid	(230,287)	(145,475)	(375,762)	(234,346)
	Remeasurement of plan assets	(21,413)	73,418	52,005	21,672
	Fair value of plan assets at end	1,878,930	3,228,398	5,107,328	4,397,099
v)	**Actual return on plan assets**	188,065	363,662	551,727	462,397
vi)	**Contributions expected to be paid to the plan during the next year**	144,394	97,701	242,095	203,182
vii)	**Plan assets comprise of:**				
	Investment in debt securities	373,664	1,248,062	1,621,726	2,216,132
	Investment in equity securities	869,765	887,661	1,757,426	1,603,577
	Deposits with banks	477,365	1,018,515	1,495,880	382,203
	Mutual Funds	158,136	74,160	232,296	195,187
		1,878,930	3,228,398	5,107,328	4,397,099

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

		Funded gratuity		Funded pension	
		2015	2014	2015	2014
		(Rupees '000)		(Rupees '000)	
ix)	**Movement in (asset) / liability recognised in balance sheet:**				
	Opening (asset) / liability	(28,090)	436,283	(59,019)	(9,759)
	Cost for the year recognised in profit or loss	102,983	149,918	149,294	103,826
	Employer's contribution during the year	(74,893)	(586,201)	(459,371)	(94,067)
	Total amount of remeasurement recognised in Other Comprehensive Income (OCI) during the year	133,690	(28,090)	100,960	(59,019)
	Closing liability / (asset)	133,690	(28,090)	(268,136)	(59,019)
x)	**Re-measurements recognised in OCI during the year:**				
	Re-measurment (loss) / gain on obligation	(112,277)	(29,467)	(174,378)	94,904
	Re-measurment (loss) / gain on plan assets	(21,413)	57,557	73,418	(35,885)
	Re-measuement (loss) / gain recognised in OCI	(133,690)	28,090	(100,960)	59,019

		2015		2014	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
		(Percentage)			
xi)	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	9.00	9.00	11.50	11.50
	Expected rate of salary growth				
	Management	9.00	9.00	11.50	11.50
	Non-management	8.00	–	10.50	–
	Expected rate of return on plan assets	9.00	9.00	11.50	11.50
	Expected rate of increase in post retirement pension	–	3.00	–	5.50
	Demographic assumptions				
	Mortality rates (for death in service)	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1	SLIC (2001-05)-1
	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.

	2015		2014	
	Defined benefit obligation		Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease	Effect of 1 percent increase	Effect of 1 percent decrease
	(Rupees '000)		(Rupees '000)	
Discount rate	(424,055)	505,386	(346,853)	409,786
Future salary growth	168,114	(157,469)	138,515	(127,863)
Future pension	221,984	(190,601)	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 2015 (Years)	Pension 2015 (Years)	Gratuity 2014 (Years)	Pension 2014 (Years)
Plan duration	6.91	7.32	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) Distribution of timing of benefit payment:

Time in years	Gratuity 2015 (Rupees '000)	Pension 2015 (Rupees '000)	Gratuity 2014 (Rupees '000)	Pension 2014 (Rupees '000)
1	233,808	223,688	153,782	185,543
2	215,415	224,174	332,651	193,880
3	262,387	251,089	207,577	207,691
4	261,489	226,954	284,307	248,255
5	243,054	231,656	232,016	209,189
6-10	1,535,354	1,546,692	1,456,111	1,507,877
11-15	1,773,824	2,013,236	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 102,983 thousand, Rs 137,702 thousand, Rs 149,294 thousand and Rs 274,098 thousand respectively (Rs 2014: 149,918 thousand, Rs 112,607 thousand, Rs 103,826 thousand and Rs 172,284 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under Inter Company Services Agreement.

	2015 (Rupees '000)	2014 (Rupees '000)
11.1 Defined contribution plan		
Details of the Employees' Provident Fund based on un-audited financial statements are as follows:		
Size of the fund (total assets)	6,032,268	5,273,006
Cost of investments made	5,805,137	4,533,096
Fair value of investments made	5,340,949	4,737,691
	%	%
Percentage of investments made	89	90

	2015 (Rupees '000)	2015 %age	2014 (Rupees '000)	2014 %age
Breakup of investment - at cost				
Term deposits and funds with scheduled banks	1,856,256	32	2,697,876	60
Government securities	276,864	5	276,299	6
Listed securities, mutual funds and term finance certificates	3,672,017	63	1,558,921	34
	5,805,137	100	4,533,096	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	2015	2014
			(Rupees '000)	
12.	**INTEREST AND MARK-UP ACCRUED**			
	On long term borrowings		96,293	7,333
	On short term borrowings		171,801	22,784
			268,094	30,117
13.	**SHORT TERM BORROWINGS**			
	Short term running finance facilities from			
	banking companies - secured	13.1		
	MCB Bank Limited (MCB - 1)		1,333,292	1,400,000
	MCB Bank Limited (MCB - 2)		750,000	–
	MCB Bank Limited (MCB - 3)		2,500,000	–
	Allied Bank Limited (ABL)		1,984,402	2,000,000
	Bank Al-Habib Limited (BAHL)		995,035	989,393
	United Bank Limited (UBL - 1)		441,111	750,000
	United Bank Limited (UBL - 2)		1,676,800	–
	Askari Bank Limited (AKBL)		989,970	491,576
	Bank Alfalah Limited (BAF)		498,859	499,985
	Habib Bank Limited (HBL - 1)		1,513,494	1,596,489
	Habib Bank Limited (HBL - 2)		700,000	–
	National Bank of Pakistan (NBP)		1,197,639	–
	Habib Metropolitan Bank Limited (HMBL)		500,000	–
	JS Bank Limited (JSBL)		500,000	–
	Soneri Bank Limited (SBL)		1,000,000	–
	Istisna facilities			
	Meezan Bank Limited (MBL - 1)		1,090,000	2,925,000
	Meezan Bank Limited (MBL - 2)		–	500,000
	Bank Islami Pakistan Limited (BIPL)		350,000	–
	Dubai Islamic Bank Limited (DIBL)		–	450,000
			18,020,602	11,602,443

13.1 Short term running finance

Short term running finance / istisna facilities are available from various banking companies under mark-up / profit arrangements amounting to Rs 18.79 billion (2014: Rs 13.30 billion) which represent the aggregate of sale prices of all mark-up / profit agreements between the Company and respective banks. The facilities have various maturity dates upto September 30, 2016.

The facilities are secured by pari passu / ranking hypothecation charges on assets of the Company besides lien over Term Deposit Receipts / PIBs in certain cases. The per annum rates of mark-up range between one month KIBOR + 0.05% to 0.35% , three months KIBOR + 0.10% to 0.50% (2014: one month KIBOR + 0.05% to 0.35% & three months KIBOR + 0.05% to 0.30%).

		2015	2014
		(Rupees '000)	
14.	**CONTINGENCIES AND COMMITMENTS**		
a)	**Contingencies:**		
i)	Guarantees issued by banks on behalf of the Company	15,010	50,997
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.

		2015	2014
		(Rupees '000)	
b)	**Commitments in respect of:**		
i)	Capital expenditure	1,029,026	2,913,033
ii)	Purchase of fertilizer, stores, spares and other operational items	540,496	2,869,125
iii)	Investment in Fauji Fresh n Freeze Limited	–	435,000
iv)	Rentals under lease agreements:		
	Premises - not later than one year	104,958	71,398
	- later than one year and not later than:		
	two years	54,044	31,740
	three years	27,262	26,394
	four years	27,372	27,262
	five years	27,350	27,342
	Vehicles - not later than one year	33,656	33,538
	- later than one year and not later than:		
	two years	19,109	23,263
	three years	17,156	15,376
	four years	16,631	12,592
	five years	5,863	10,691

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, 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 January 1, 2015														
Cost	544,247	178,750	5,594,882	258,390	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)	(2,151,099)	(133,285)	(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	3,443,783	125,105	–	11,439,356	944,318	491,851	195,145	239,646	513,626	2,913	2,109,900	20,093,898
Year ended December 31, 2015														
Opening net book value	544,247	44,008	3,443,783	125,105	–	11,439,356	944,318	491,851	195,145	239,646	513,626	2,913	2,109,900	20,093,898
Additions	225	–	218,707	–	–	2,248,372	95,849	82,332	20,339	87,997	220,527	1,851	1,640,145	4,616,344
Disposals														
Cost	–	–	–	–	–	(41,370)	–	(12,751)	(1,347)	(21,322)	(12,338)	–	–	(89,128)
Depreciation	–	–	–	–	–	27,171	–	12,589	1,324	21,300	12,276	–	–	74,660
	–	–	–	–	–	(14,199)	–	(162)	(23)	(22)	(62)	–	–	(14,468)
Transfers	–	–	–	–	–	–	–	–	–	–	–	–	(1,343,999)	(1,343,999)
Depreciation Charge	–	(14,072)	(150,060)	(97,592)	–	(973,541)	(315,744)	(115,056)	(30,390)	(79,999)	(192,037)	(1,582)	–	(1,970,073)
Balance as at December 31, 2015	544,472	29,936	3,512,430	27,513	–	12,699,988	724,423	458,965	185,071	247,622	542,054	3,182	2,406,046	21,381,702
As at December 31, 2015														
Cost	544,472	178,750	5,813,589	258,390	26,517	31,007,059	1,903,787	1,022,722	369,929	620,138	2,174,636	25,381	2,406,046	46,351,416
Accumulated depreciation	–	(148,814)	(2,301,159)	(230,877)	(26,517)	(18,307,071)	(1,179,364)	(563,757)	(184,858)	(372,516)	(1,632,582)	(22,199)	–	(24,969,714)
Net Book Value	544,472	29,936	3,512,430	27,513	–	12,699,988	724,423	458,965	185,071	247,622	542,054	3,182	2,406,046	21,381,702
Rate of depreciation / amortisation in %	–	6 1/4 to 9 1/4	5 to 10	5	5	5	20	15	10	20	15 to 33 1/3	30	–	–

		Note	2015	2014
			(Rupees '000)	
15.1	**Depreciation charge has been allocated as follows:**			
	Cost of sales	29	1,876,329	1,717,142
	Distribution cost	30	75,857	73,479
	Charged to FFBL under Inter Company Services Agreement		17,887	17,550
			1,970,073	1,808,171

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	250	105	221
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		88,878	14,363	21,858
2015		89,128	14,468	22,079
2014		300,030	12,211	45,286

		Note	2015	2014
			(Rupees '000)	
15.3	**Capital Work in Progress**			
	Civil works including mobilization advance		215,469	220,820
	Plant and machinery including advances to suppliers		2,190,577	1,889,080
			2,406,046	2,109,900
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	7,486	41,970
	Goodwill	16.2	1,569,234	1,569,234
			1,576,720	1,611,204
16.1	**Computer software**			
	Balance at the begining		41,970	82,358
	Additions during the year		7,116	8,802
	Amortisation charge for the year		(41,600)	(49,190)
	Balance at the end		7,486	41,970
	Amortisation rate		33 1/3%	33 1/3%
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	30,071	37,484
	Distribution cost	30	11,529	11,706
			41,600	49,190

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 13.82%. Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

	Note	2015	2014
		(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	4,658,919
Askari Bank Limited (AKBL)	17.3	10,461,921	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			
FFC Energy Limited (FFCEL)	17.5	2,438,250	2,438,250
Fauji Fresh n Freeze Limited (FFF)	17.6	1,435,500	1,035,500
Investments available for sale	17.7		
Term Deposit Receipts		114,758	113,868
Pakistan Investment Bonds		8,230,410	7,178,198
Term Finance Certificates		99,917	99,500
		8,445,085	7,391,566
		29,645,600	28,192,081
Less: Current portion shown under short term investments			
Investments available for sale			
Term Deposit Receipts		29,574	27,094
Pakistan Investment Bonds		486,551	30,467
		516,125	57,561
		29,129,475	28,134,520

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, 2015.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, 2015 was Rs 3,451,875 thousand (2014: Rs 2,422,500 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, 2015. Market value of the Company's investment as at December 31, 2015 was Rs 24,543,191 thousand (2014: Rs 21,062,973 thousand). Pursuant to an agreement dated 16 October 2014, The Company has agreed to issue to Fauji Foundation, irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of FFBL, shall be nominated by FF.

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% (2014: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2015 was Rs 11,821,516 thousand (2014: Rs 12,544,728 thousand). Pursuant to an agreement dated 16 October 2014, the Company has agreed to issue to Fauji Foundation, irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of AKBL, shall be nominated by FF.

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 (2014: 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 FFF - at cost

Investment in FFF represents 93,937 thousand (2014: 93,937 thousand) fully paid ordinary shares of Rs 10 each. The Company currently holds 100% shareholding interest in FFF, out of which 7,000 shares amounting to Rs 70 thousand are held in the name of seven nominee directors of the Company. The Company has advanced Rs 400,000 thousand to FFF during the year against which shares have not been issued till year end.

17.7 Investments available for sale

Term Deposit Receipts (TDR)

These represent placement in Term Deposits with financial institution having tenures ranging from one to five years with returns in the range of 5.12% to 12.32% per annum (2014: 7.58% to 12.32% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 3, 5 and 10 years tenure having aggregate face value of Rs 7.465 billion are due to mature within a period of 7 years. Profit is payable on half yearly basis with coupon rates ranging from 11.25% to 12.00% per annum. The PIBs are placed with banks as collateral to secure financing facilities.

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.

		Note	2015	2014
			(Rupees '000)	
18.	**LONG TERM LOANS AND ADVANCES - SECURED**			
	Loans and advances - considered good, to:			
	Executives		742,883	769,788
	Other employees		370,027	338,839
			1,112,910	1,108,627
	Less: Amount due within twelve months, shown under current loans and advances	23	298,612	285,439
			814,298	823,188

18.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2015 Total	2014 Total
	(Rupees '000)			
Balance at January 1	769,788	338,839	1,108,627	979,758
Disbursements	304,230	125,811	430,041	473,674
	1,074,018	464,650	1,538,668	1,453,432
Repayments	331,135	94,623	425,758	344,805
Balance at December 31	742,883	370,027	1,112,910	1,108,627

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 4% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 980,616 thousand (2014: Rs 772,804 thousand).

		Note	2015	2014
			(Rupees '000)	
19.	**LONG TERM DEPOSITS AND PREPAYMENTS**			
	Deposits		12,388	12,388
	Prepayments		613	3,236
			13,001	15,624
20.	**STORES, SPARES AND LOOSE TOOLS**			
	Stores		195,710	266,801
	Spares		3,190,262	3,127,230
	Provision for slow moving spares	20.1	(361,432)	(390,866)
			2,828,830	2,736,364
	Loose tools		144	132
	Items in transit		371,078	311,526
			3,395,762	3,314,823
20.1	**Movement of Provision for slow moving spares**			
	Balance at the beginning		390,866	332,172
	Provision during the year		–	58,694
	Reversal during the year		(29,434)	–
	Balance at the end		361,432	390,866
21.	**STOCK IN TRADE**			
	Raw materials		65,439	223,630
	Work in process		106,097	64,860
	Finished goods - manufactured urea		2,172,446	584,930
	- purchased fertilizer		2,756,038	21,504
	Stocks in transit		–	86,826
			5,100,020	981,750

		Note	2015	2014
			(Rupees '000)	
22.	**TRADE DEBTS**			
	Considered good:			
	Secured		1,726,970	772,417
	Unsecured		46,728	50,043
	Considered doubtful		1,758	1,758
			1,775,456	824,218
	Provision for doubtful debts		(1,758)	(1,758)
			1,773,698	822,460

22.1 These debts are secured by way of bank guarantees.

		Note	2015	2014
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	298,612	285,439
	Loans and advances to employees - unsecured - considered good			
	- Executives		37,703	55,019
	- Others		8,669	28,905
	Advance to subsidiary company - FFC Energy Limited	23.1	336,386	540,386
	- Fauji Fresh n Freeze Limited	23.2	183,000	–
	Advances to suppliers - considered good		160,224	149,005
			1,024,594	1,058,754

23.1 This represents aggregate unsecured advance to, FFC Energy Limited (FFCEL), 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 (2014: Rs 540,386 thousand).

23.2 This represents aggregate unsecured advance to, Fauji Fresh n Freeze Limited (FFF), subsidiary company under a revolving credit facility upto an amount of Rs 1,000,000 thousand to meet debt servicing obligations and other working capital requirements. This carries markup at 1 month KIBOR + 100bps. The maximum outstanding amount at the end of any month during the year was Rs 453,000 thousand (2014: Nil).

		2015	2014
		(Rupees '000)	
24.	**DEPOSITS AND PREPAYMENTS**		
	Deposits	962	966
	Prepayments	38,361	25,410
		39,323	26,376

		Note	2015	2014
			(Rupees '000)	
25.	**OTHER RECEIVABLES**			
	Accrued income on investments and bank deposits		528,248	534,777
	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	33,536	55,300
	Receivable from subsidiary companies	25.3		
	Fauji Fresh n Freeze Limited - unsecured		–	116
	FFC Energy Limited - unsecured		8,064	14,445
	Receivable from Fauji Fertilizer Bin Qasim Limited - unsecured		49,010	–
	Due from Gratuity Fund		–	28,090
	Due from Pension Fund		268,136	59,019
	Subsidy receivable	25.4	1,489,977	–
	Other receivables			
	considered good		65,437	15,860
	considered doubtful		2,232	2,232
	Provision for doubtful receivables		(2,232)	(2,232)
			65,437	15,860
			2,807,262	1,072,461

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	2015	2014
			(Rupees '000)	
25.2	**Workers' Profit Participation Fund (WPPF)**			
	Balance at beginning		55,300	59,495
	Allocation for the year		(1,316,042)	(1,409,278)
	Receipt from fund	25.2.1	(65,722)	(69,917)
	Payment to fund		1,360,000	1,475,000
			33,536	55,300

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 FFF and FFCEL during the year was Rs 27,506 thousand (2014: Rs 77,116 thousand) and Rs 22,419 thousand (2014: Rs 96,418 thousand) respectively.

25.4 This represents Subsidy @ Rs 500 per 50 kg bag, on sale of Di-Ammonium Phosphate (DAP) fertilizer pursuant to notification No. F.1-11/2012/DFSC-11/Fertilizer dated October 15, 2015 issued by Ministry of National Food Security & Research, Government of Pakistan.

		Note	2015	2014
			(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 (2014: Rs 3,900 thousand)		8,239,000	25,400,000
	Foreign currency		1,396,192	1,309,818
			9,635,192	26,709,818
	Investments at fair value through profit or loss	26.2		
	Meezan Balanced Fund		183,403	167,979
	Market Treasury Bills		–	489,380
	KASB Cash Fund		–	8,099
			183,403	665,458
	Current maturity of long term investments			
	Available for sale	17	516,125	57,561
			10,334,720	27,432,837

26.1 These represent investments having maturities ranging between 1 to 6 months and are being carried at cost as management expects there would be insignificant change in the rate of returns on comparable investments.

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

		2015	2014
		(Rupees '000)	
27.	**CASH AND BANK BALANCES**		
	At banks		
	Local Currency		
	Current Account	106,570	250,184
	Deposit Account	815,187	606,604
		921,757	856,788
	Foreign Currency		
	Deposit Account (US$ 18,789; 2014: US$ 29,000)	1,965	2,919
		923,722	859,707
	Cash in transit	1,813,556	312,596
	Cash in hand	2,036	1,464
		2,739,314	1,173,767

27.1 Balances with banks include Rs 738,350 thousand (2014: Rs 653,943 thousand) in respect of security deposits received.

27.2 Balances with banks carry markup ranging from 2.5% to 6% (2014: 5% to 10%) per annum.

28. SALES

Sales include Rs 10,200,523 thousand (2014: Rs 8,734,079 thousand) in respect of sale of purchased fertilizers, and are exclusive of sales tax and discount of Rs 15,388,642 thousand (2014: Rs 14,188,461 thousand) and Rs 1,500,355 thousand (2014: Nil) respectively.

		Note	2015	2014
			(Rupees '000)	
29.	COST OF SALES			
	Raw materials consumed		27,022,783	24,372,474
	Fuel and power		8,075,315	7,707,652
	Chemicals and supplies		352,678	366,674
	Salaries, wages and benefits		5,854,032	5,002,549
	Training and employees welfare		845,825	833,770
	Rent, rates and taxes		19,432	13,533
	Insurance		182,950	184,768
	Travel and conveyance	29.1	399,650	478,674
	Repairs and maintenance (includes stores and spares consumed of Rs 1,809,203 thousand; (2014: Rs 1,239,353 thousand)		1,958,786	1,357,448
	Depreciation	15.1	1,876,329	1,717,142
	Amortisation	16.1	30,071	37,484
	Communication and other expenses	29.2	1,725,948	1,627,187
			48,343,799	43,699,355
	Opening stock - work in process		64,860	67,903
	Closing stock - work in process		(106,097)	(64,860)
			(41,237)	3,043
	Cost of goods manufactured		48,302,562	43,702,398
	Opening stock of manufactured urea		584,930	71,424
	Closing stock of manufactured urea		(2,172,446)	(584,930)
			(1,587,516)	(513,506)
	Cost of sales - own manufactured urea		46,715,046	43,188,892
	Opening stock of purchased fertilizers		21,504	–
	Purchase of fertilizers for resale		11,968,858	6,969,361
			11,990,362	6,969,361
	Closing stock of purchased fertilizers		(2,756,038)	(21,504)
	Cost of sales - purchased fertilizers		9,234,324	6,947,857
			55,949,370	50,136,749

29.1 These include operating lease rentals amounting to Rs 44,095 thousand (2014: Rs 45,478 thousand).

29.2 This includes provision for slow moving spares amounting to Rs Nil (2014: Rs 58,694 thousand).

		Note	2015	2014
			(Rupees '000)	
30.	**DISTRIBUTION COST**			
	Product transportation		4,220,398	3,970,241
	Salaries, wages and benefits		1,590,906	1,322,121
	Training and employees welfare		106,880	80,924
	Rent, rates and taxes		120,633	105,131
	Technical services to farmers		15,144	14,795
	Travel and conveyance	30.1	164,026	198,186
	Sale promotion and advertising		142,276	190,876
	Communication and other expenses		239,249	394,451
	Warehousing expenses		126,693	69,757
	Depreciation	15.1	75,857	73,479
	Amortisation	16.1	11,529	11,706
			6,813,591	6,431,667

30.1 These include operating lease rentals amounting to Rs 131,752 thousand (2014: Rs 130,420 thousand).

		2015	2014
		(Rupees '000)	
31.	**FINANCE COST**		
	Mark up on long term borrowings	968,872	567,836
	Mark up on short term borrowings	482,944	173,538
	Bank and other charges	22,985	19,669
	Exchange loss	–	87,897
		1,474,801	848,940
32.	**OTHER EXPENSES**		
	Research and development	463,868	355,424
	Workers' Profit Participation Fund (WPPF)	1,316,042	1,409,278
	Workers' Welfare Fund (WWF)	501,931	535,526
	Auditors' remuneration		
	Audit fee	1,650	1,650
	Fee for half yearly review, audit of consolidated financial statements & review of Code of Corporate Governance	854	804
	Out of pocket expenses	279	255
		2,783	2,709
		2,284,624	2,302,937

		Note	2015	2014
			(Rupees '000)	
33.	**OTHER INCOME**			
	Income from sales under Government subsidy	33.1	1,489,977	–
	Income from financial assets			
	Income on loans, deposits and investments		1,766,615	1,651,851
	Gain on re-measurement of investments classified as fair value through profit or loss		10,278	34,622
	Dividend income		9,364	–
	Exchange gain		2,564	–
	Gain on disposal of FFBL shares		–	281,728
	Income from subsidiary			
	Dividend from FFBL		–	1,544,507
	Dividend from AKBL		–	543,768
	Income from associates			
	Dividend from FFBL		1,397,676	349,419
	Dividend from FCCL		234,375	140,625
	Dividend from AKBL		1,087,536	–
	Income from non financial assets			
	Gain on disposal of property, plant and equipment		7,611	33,075
	Commission on sale of FFBL products		20,761	18,185
	Other income			
	Scrap sales		25,756	19,373
	Others		141,718	103,713
			6,194,231	4,720,866

33.1 This represents Subsidy @ Rs 500 per 50 kg bag, on sale of Di-Ammonium Phosphate (DAP) fertilizer pursuant to notification No. F.1-11/2012/DFSC-11/Fertilizer dated October 15, 2015 issued by Ministry of National Food Security & Research, Government of Pakistan.

		2015	2014
		(Rupees '000)	
34.	**PROVISION FOR TAXATION**		
	Current tax	8,221,000	7,866,979
	Deferred tax	(484,000)	203,021
		7,737,000	8,070,000
	Reconciliation between tax expense and accounting profit		
	Accounting profit before taxation	24,502,869	26,240,760

	2015	2014
	%	%
Applicable tax rate	32.00	33.00
Tax effect of income that is exempt or taxable at reduced rates	(2.17)	(2.61)
Effect of change in tax rate	(2.11)	0.38
Effect of super tax	3.20	–
Others	0.66	(0.02)
Average effective tax rate charged on income	31.58	30.75

34.1 The Finance Act, 2015 introduced a new tax under Section 5A of the Income Tax Ordinance, 2001 on every public company other than a scheduled bank or modaraba, that derives profits for tax year and does not distribute cash dividend within six months of the end of said tax year or distribute dividends to such an extent that its reserves, after such distribution, are in excess of 100% of its paid up capital. However, this tax on undistributed reserves is not applicable to a public company which distributes profit equal to either 40 percent of its after tax profits or 50% of its paid up capital, whichever is less, within six months of the end of the tax year.

The Company has during the year distributed sufficient interim dividends for the year ended 31 December 2015, which complies with the above stated requirements. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended 31 December 2015.

	2015	2014
35. EARNINGS PER SHARE - Basic and diluted		
Net profit after tax (Rupees '000)	16,765,869	18,170,760
Weighted average number of shares in issue ('000)	1,272,238	1,272,238
Basic and diluted earnings per share (Rupees)	13.18	14.28

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:

	2015		2014	
	Chief Executive	Executive	Chief Executive	Executive
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	7,829	1,776,812	8,561	1,445,955
Contribution to provident fund	536	110,858	615	90,516
Bonus and other awards	1,313	1,979,844	3,703	1,766,538
Allowances and contribution to retirement benefit plans	11,547	1,549,224	6,398	1,102,304
Total	21,225	5,416,738	19,277	4,405,313
No. of person(s)	1	850	1	723

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 4,422 thousand (2014: Nil) and Rs 52,445 thousand (2014: Rs 43,480 thousand) were paid to chief executive and executives respectively on separation, in accordance with the Company's policy.

In addition, 14 (2014: 18) directors were paid aggregate fee of Rs 5,450 thousand (2014: 5,570 thousand).

		2015	2014
		(Rupees '000)	
37.	**CASH GENERATED FROM OPERATIONS**		
	Net profit before taxation	24,502,869	26,240,760
	Adjustments for:		
	Depreciation and amortisation	2,011,673	1,839,811
	(Reversal) / Provision for slow moving spares	(25,238)	58,694
	Finance cost	1,474,801	848,940
	Income on loans, deposits and investments	(1,766,615)	(1,651,851)
	Gain on re-measurement of investments classified as fair value through profit or loss	(10,278)	(34,622)
	Dividend income	(2,719,587)	(2,578,319)
	Exchange loss	70,503	–
	Gain on disposal of FFBL shares	–	(281,728)
	Gain on disposal of property, plant and equipment	(7,611)	(33,075)
	Government subsidy on sale of fertilizer	(1,489,977)	–
		(2,462,329)	(1,832,150)
		22,040,540	24,408,610
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	(55,701)	(128,872)
	Stock in trade	(4,118,270)	(679,793)
	Trade debts	(951,238)	(121,919)
	Loans and advances	34,160	(137,294)
	Deposits and prepayments	(12,947)	10,849
	Other receivables	(306,679)	183,128
	(Decrease) / increase in current liabilities:		
	Trade and other payables	(29,631,566)	15,648,348
		(35,042,241)	14,774,447
	Changes in long term loans and advances	8,890	(82,780)
	Changes in long term deposits and prepayments	2,623	(12,970)
	Changes in deferred liabilities	304,040	104,350
		(12,686,148)	39,191,657
38.	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	2,739,314	1,173,767
	Short term borrowings	(18,020,602)	(11,602,443)
	Short term highly liquid investments	9,417,064	25,709,818
		(5,864,224)	15,281,142

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 Financial instruments by category

December 31, 2015	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	1,773,698	–	–	1,773,698
Loans and advances	864,370	–	–	864,370
Deposits	962	–	–	962
Other receivables	2,408,872	–	–	2,408,872
Short term investments	9,635,192	516,125	183,403	10,334,720
Cash and bank balances	2,739,314	–	–	2,739,314
Maturity after one year				
Long term investments	–	7,928,960	–	7,928,960
Long term loans and advances	814,298	–	–	814,298
Deposits	12,388	–	–	12,388
	18,249,094	8,445,085	183,403	26,877,582

	Other financial liabilities	Total
	(Rupees '000)	
Financial liabilities		
Maturity up to one year		
Trade and other payables	5,716,623	5,716,623
Interest and mark-up accrued	268,094	268,094
Current portion of long term borrowings	4,509,839	4,509,839
Short term borrowings	18,020,602	18,020,602
Maturity after one year		
Long term borrowings	15,892,599	15,892,599
	44,407,757	44,407,757

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

39.2 Credit quality of financial assets

The credit quality of 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	2015	2014
		(Rupees '000)	
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past		1,773,698	822,460
Loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		344,984	369,363
Loan to subsidiary company		519,386	540,386
		864,370	909,749
Deposits			
Counterparties without external credit ratings			
Others		13,350	13,354
Other receivables			
Counterparties with external credit ratings	A1 +	416,797	438,517
	A1	111,451	96,260
Counterparties without external credit ratings			
Advances to related parties		358,746	14,561
Others		65,437	15,860
		952,431	565,198
Short term investments			
Counterparties with external credit ratings	A1 +	6,943,946	23,824,739
	A1	2,041,246	3,608,099
	A2	650,000	–
		9,635,192	27,432,838
Bank balances			
Counterparties with external credit ratings	A1 +	922,022	997,166
	A1	1,700	175,137
		923,722	1,172,303

	Rating	2015	2014
		(Rupees '000)	
Long term investments			
Counterparties with external credit ratings	AA -	6,313,519	6,722,322
	AA	1,500,309	611,683
	AA +	115,131	–
		7,928,959	7,334,005
Long term loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		814,298	823,188

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 adhoc 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:

	2015	2014
	(Rupees '000)	
Long term investments	7,928,960	7,334,005
Loans and advances	1,678,668	1,732,937
Deposits	13,350	13,354
Trade debts - net of provision	1,773,698	822,460
Other receivables - net of provision	2,408,872	565,198
Short term investments - net of provision	10,334,720	27,432,837
Bank balances	923,722	1,172,303
	25,061,990	39,073,094

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the country.

The Company's most significant amount receivable is from a bank which amounts to Rs 2,000,000 thousand (2014: Rs 6,000,000 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts amounting to Rs 1,727,405 thousand (2014: Rs 772,417 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 2015	Impairment 2015	Gross 2014	Impairment 2014
	(Rupees '000)			
Not yet due	1,587,907	–	748,271	–
Past due 1-30 days	131,128	–	50,926	–
Past due 31-60 days	54,663	–	23,263	–
Past due 61-90 days	–	–	–	–
Over 90 days	1,758	1,758	1,758	1,758
	1,775,456	1,758	824,218	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:

2015	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	20,498,731	24,076,517	2,391,694	3,553,731	12,135,759	5,995,333	–
Trade and other payables	5,716,623	59,200,237	59,200,237	–	–	–	–
Short term borrowings	18,192,403	18,342,155	18,342,155	–	–	–	–
	44,407,757	101,618,909	79,934,086	3,553,731	12,135,759	5,995,333	–

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	–

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

	2015		2014	
	(Rupees '000)	(US Dollar '000)	(Rupees '000)	(US Dollar '000)
Bank balance	1,933	18	2,919	29
Investments (Term deposit receipts)	1,396,193	13,348	1,309,818	13,046

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2015	2014	2015	2014
US Dollars	101.90	100.19	104.60	100.40

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31 would have decreased profit and loss by Rs 139,812 thousand (2014: Rs 131,273 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	
	2015	2014
	(Rupees '000)	
Fixed rate instruments		
Financial assets	20,717,638	35,174,187
Variable rate instruments		
Financial assets	619,303	639,886
Financial liabilities	38,423,040	15,882,443

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 2014.

	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2015		
Cash flow sensitivity - Variable rate instruments	(194,885)	194,885
December 31, 2014		
Cash flow sensitivity - Variable rate instruments	(49,672)	49,672

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 58,612 thousand after tax (2014: Rs 48,761 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 1,760 thousand after tax (2014: Rs 4,459 thousand). The analysis is performed on the same basis for 2014 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:

	Note	December 31, 2015 Carrying amount	December 31, 2015 Fair value	December 31, 2014 Carrying amount	December 31, 2014 Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Loans and advances	18 and 23	1,678,668	1,678,668	1,732,937	1,732,937
Deposits	19 and 24	13,350	13,350	13,354	13,354
Trade debts - net of provision	22	1,773,698	1,773,698	822,460	822,460
Other receivables	25	2,408,872	2,408,872	565,198	565,198
Short term investments	26	9,635,192	9,635,192	27,432,837	27,432,837
Cash and bank balances	27	2,739,314	2,739,314	1,173,767	1,173,767
		18,249,094	18,249,094	31,740,553	31,740,553
Assets carried at fair value					
Long term investments	17	7,928,960	7,928,960	7,334,005	7,334,005
Short term investments	26	699,528	699,528	723,019	723,019
		8,628,488	8,628,488	8,057,024	8,057,024
Liabilities carried at amortized cost					
Long term borrowings	8	20,498,731	20,498,731	4,287,333	4,287,333
Trade and other payables	10	5,716,623	5,716,623	29,243,800	29,243,800
Short term borrowings	13	18,192,403	18,192,403	11,625,227	11,625,227
		44,407,757	44,407,757	45,156,360	45,156,360

The basis for determining fair values is as follows:

Interest rates used for determining fair value

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

Fair value hierarchy

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

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

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

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

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

	Level 1	Level 2 (Rupees '000)	Level 3
December 31, 2015			
Assets carried at fair value			
Available for sale investments	99,917	8,345,168	–
Investments at fair value through profit or loss	183,403	–	–
	283,320	8,345,168	–
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	–

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values. Fair values of financial assets and liabilities carried at amortized cost (note 39.4) have been determined for disclosure purposes only and have been categorised in level 2 of fair value hierarchy.

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 in 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 current PKRV rates applicable to similar instruments having similar maturities.

Investment in associates and subsidiaries

The fair value of investment in listed associates and subsidiaries is determined by reference to their quoted closing bid price at the reporting date and accordingly are at level 1 in fair value hierarchy. 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% (2014: 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.

	2015	2014
	(Rupees '000)	
Transactions with subsidiary companies		
Expenses charged on account of marketing		
of fertilizer on behalf of subsidiary company	–	513,009
Commission on sale of subsidiary company's products	–	10,904
Payments under consignment account	–	34,056,198
Services and materials received	–	6,281
Dividend income	–	2,088,275
Balance payable at the year end - unsecured	45,663	–
Balance receivable at the year end - unsecured	648,229	556,428
Long term investments - additions	400,000	450,000
Long term investments - disposals	–	93,411
Guarantee against loan of subsidiary company	5,450,000	5,450,000
Transactions with associated undertakings / companies due to common directorship		
Expenses charged on account of marketing		
of fertilizer on behalf of associated company	916,738	326,791
Commission on sale of associated company's products	20,761	7,281
Payments under consignment account	59,455,977	25,125,468
Purchase of gas as feed and fuel stock	33,698,069	30,476,475
Services and materials received	11,841	371,989
Sale of fertilizer	4,846	2,162
Donations	50,341	95,371
Dividend income	2,719,587	490,044
Dividend paid	6,736,998	7,983,961
Investments in TDRs issued by associated company and		
outstanding at the year end	903,758	3,200,000
Bank balance at the year end	4,802	22,955
Balance receivable at the year end	58,648	8,353
Balance payable at the year end	2,586,607	26,119,281
Other related parties		
Payments to:		
Employees' Provident Fund Trust	376,056	320,291
Employees' Gratuity Fund Trust	74,893	586,201
Employees' Pension Fund Trust	459,371	94,067
Dividend paid	63,462	110,314
Others:		
Balance (payable to) / receivable from Gratuity Fund Trust	(133,690)	28,090
Balance receivable from Pension Fund Trust	268,136	59,019

41. POST BALANCE SHEET EVENT

The Board of Directors in its meeting held on January 27, 2016 has proposed a final dividend of Rs 3.42 per share.

		2015	2014
		(Tonnes '000)	
42.	**GENERAL**		
42.1	**Production capacity**		
	Design capacity	2,048	2,048
	Production during the year	2,469	2,403

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 9,560,000 thousand (2014: Rs 100,000 thousand and Rs 11,230,000 thousand) respectively are available to the Company against lien on shipping / title documents and charge on assets of the Company.

42.3 Donations

Cost of Sales and Distribution Cost includes donations amounting to Rs 110,878 thousand (2014: Rs 137,992 thousand) and Rs 56,876 thousand (2014: Rs 50,026 thousand) respectively. These include Rs 50,341 thousand (2014: Rs 95,371 thousand), disbursed through Sona Welfare Foundation, Sona Tower, 156, The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Shafqaat Ahmed, HI (M) (Retd) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

		2015	2014
42.4	**Number of employees**		
	Total number of employees at end of the year	3,497	2,333
	Average number of employees for the year	3,339	2,314

42.5 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

42.6 Date of authorization

These Financial Statements have been authorized for issue by the Board of Directors of the Company on January 27, 2016.

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 statement of financial position of Fauji Fertilizer Company Limited (the Holding Company) and its subsidiary companies as at 31 December 2015 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company and its subsidiary companies. These financial statements are 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 International Standards on Auditing 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 as at 31 December 2015 and the results of their operations for the year then ended.

The consolidated financial statement for the year ended 31 December 2014, were audited by another auditor whose report dated 30 January 2015 expressed an unmodified opinion on those consolidated financial statements.

KPMG Taseer Hadi & CO.
CHARTERED ACCOUNTANTS

Engagement Partner: Syed Bakhtiyar Kazmi
Islamabad
January 27, 2016

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2015

	Note	2015	2014
		(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	853,511	611,592
Revenue reserves	7	33,626,176	30,032,528
Surplus on remeasurement of investments			
available for sale to fair value		2,230,710	303,564
TOTAL EQUITY		49,432,779	43,670,066
NON - CURRENT LIABILITIES			
Long term borrowings	8	24,746,264	11,406,203
Deferred liabilities	9	5,306,671	4,574,028
Land lease - liabiity		5,459	2,893
		30,058,394	15,983,124
CURRENT LIABILITIES			
Trade and other payables	10	8,540,491	38,526,069
Interest and mark-up accrued	12	408,068	115,891
Short term borrowings	13	18,020,602	11,602,443
Current portion of long term borrowings	8	5,801,752	3,054,000
Current portion of liability against			
assets subject to finance lease		–	238
Taxation		1,418,207	2,501,510
		34,189,120	55,800,151
TOTAL EQUITY AND LIABILITIES		113,680,293	115,453,341
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

	Note	2015	2014
		(Rupees '000)	
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	15	35,228,277	33,104,620
Intangible assets	16	1,940,047	1,974,531
Long term investments	17	46,702,026	41,787,131
Long term loans and advances	18	814,298	823,188
Long term deposits and prepayments	19	25,081	17,804
		84,709,729	77,707,274
CURRENT ASSETS			
Stores, spares and loose tools	20	3,395,762	3,314,823
Stock in trade	21	5,127,591	985,347
Trade debts	22	2,198,576	2,221,263
Loans and advances	23	527,907	531,379
Deposits and prepayments	24	40,120	27,589
Other receivables	25	3,083,753	1,182,227
Short term investments	26	11,187,720	27,432,837
Cash and bank balances	27	3,409,135	2,050,602
		28,970,564	37,746,067
TOTAL ASSTES		113,680,293	115,453,341

Chairman Chief Executive Director

CONSOLIDATED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015	2014
		(Rupees '000)	
Sales	28	87,340,258	84,013,999
Cost of sales	29	56,796,687	50,878,238
GROSS PROFIT		30,543,571	33,135,761
Administrative and distribution expense	30	6,967,239	6,617,040
		23,576,332	26,518,721
Finance cost	31	2,485,182	2,149,262
Other expenses	32	2,285,664	2,303,562
		18,805,486	22,065,897
Other income	33	3,496,020	1,913,622
Share in profit of equity accounted investments		5,351,860	1,476,057
NET PROFIT BEFORE TAXATION		27,653,366	25,455,576
Provision for taxation	34	8,220,070	8,076,881
NET PROFIT AFTER TAXATION			
FROM CONTINUING OPERATIONS		19,433,296	17,378,695
Discontinued operations - net of tax	35	–	17,259,744
Profit for the year		19,433,296	34,638,439
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		19,433,296	33,615,001
Non - controlling interests		–	1,023,438
		19,433,296	34,638,439
Earnings per share - basic and diluted (Rupees)	36		
Continuing operations		15.27	13.66
Discontinued operations		–	13.57
		15.27	27.23

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, 2015

	Note	2015	2014
		(Rupees '000)	
Net profit after taxation		19,433,296	34,638,439
Other comprehensive income			
Items that may not be subsequently reclassified to profit or loss			
Gain on remeasurement of staff retirement benefit plans - net of tax		(164,255)	56,621
Equity accounted investees – share of OCI, net of tax		(242,951)	(67,963)
		(407,206)	(11,342)
Items that may be subsequently reclassified to profit or loss			
Surplus on remeasurement of investments available for sale to fair value - net of tax		230,843	293,056
Share of equity accounted investees – share of OCI, net of tax		1,696,303	–
		1,927,146	293,056
Other comprehensive income from continuing operations - net of tax		1,519,940	281,714
Discontinued Operations - net of tax	35	–	(162,439)
		1,519,940	119,275
Total other comprehensive income for the year		20,953,236	34,757,714
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		20,953,236	33,814,067
Non-controlling interests		–	943,647
		20,953,236	34,757,714

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, 2015

	Note	2015	2014
		(Rupees '000)	
CONTINUING OPERATIONS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	38	(10,034,056)	41,007,491
Finance cost paid		(2,193,005)	(2,000,206)
Income tax paid		(8,874,770)	(9,355,565)
Net cash (used in) / generated from operating activities		(21,101,831)	29,651,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,736,464)	(4,295,821)
Proceeds from disposal of property, plant and equipment		22,079	47,260
Interest received		1,775,852	1,298,540
Sale of shares in Fauji Fertilizer Bin Qasim Limited		–	375,139
Decrease / (increase) in other investment - net		280,214	(8,083,631)
Dividends received		2,728,951	2,578,319
Net cash used in investing activities		70,632	(8,080,194)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - proceeds		19,840,750	653,130
- repayments		(3,792,809)	(1,803,504)
Dividends paid		(15,443,056)	(17,582,659)
Net cash generated from / (used in) financing activities		604,885	(18,733,033)
CASH FLOWS FROM DISCONTINUED OPERATIONS			
Operating cash flows		–	(1,276,675)
Investing cash flows		–	(2,721,686)
Financing cash flows		–	1,541,562
Cash and cash equivalents		–	(585,607)
Net cash used in discontinued operations		–	(3,042,406)
Net decrease in cash and cash equivalents		(20,426,314)	(203,913)
Cash and cash equivalents at beginning of the year		16,157,977	16,409,752
Effect of exchange rate changes		(73,067)	(47,862)
Cash and cash equivalents at end of the year	38.1	(4,341,404)	16,157,977

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, 2015

	Attributable to equity holders of Fauji Fertilizer Company limited								Non-controlling interests	Total
	Share capital	Capital reserves				Revenue reserves		Surplus on remeasurement of available for sale investment to fair value		
		Share premium	Capital redemption reserve	Translation reserve	Statutory reserve	General reserve	Unappropriated profit			
	(Rupees '000)									
Balance as at January 1, 2014	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 per share	–	–	–	–	–	–	(5,088,952)	–	–	(5,088,952)
First interim dividend 2014: Rs 3 per share	–	–	–	–	–	–	(3,816,714)	–	–	(3,816,714)
Second interim dividend 2014: Rs 3.4 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 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
Balance as at January 1, 2015	12,722,382	40,000	120,000	451,592	–	6,802,360	23,230,168	303,564	–	43,670,066
Transfer to general reserve	–	–	–	–	428,781	–	(428,781)	–	–	–
Total comprehensive income for the year										
Profit after taxation	–	–	–	–	–	–	19,433,296	–	–	19,433,296
Other comprehensive income - net of tax	–	–	–	(186,862)	–	–	(220,344)	1,927,146	–	1,519,940
	–	–	–	(186,862)	–	–	19,212,952	1,927,146	–	20,953,236
Distribution to owners										
FFC dividends:										
Final dividend 2014: Rs 3.50 per share	–	–	–	–	–	–	(4,452,833)	–	–	(4,452,833)
First interim dividend 2015: Rs 3.94 per share	–	–	–	–	–	–	(5,012,618)	–	–	(5,012,618)
Second interim dividend 2015: Rs 1.75 per share	–	–	–	–	–	–	(2,226,417)	–	–	(2,226,417)
Third interim dividend 2015: Rs 2.75 per share	–	–	–	–	–	–	(3,498,655)	–	–	(3,498,655)
	–	–	–	–	–	–	(15,190,523)	–	–	(15,190,523)
Discontinued operations	–	–	–	–	–	–	–	–	–	–
Balance as at December 31, 2015	12,722,382	40,000	120,000	264,730	428,781	6,802,360	26,823,816	2,230,710	–	49,432,779

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, 2015

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.

Previously, the shares of FFC were quoted on Karachi, Lahore and Islamabad stock exchanges of Pakistan. However, due to integration of these Stock Exchanges into Pakistan Stock Exchange effective January 11, 2016 the shares of the Company are now quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 156, The Mall, Rawalpindi, 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.

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.

The applicable framework for banks also includes the Banking Companies Ordinance 1962 and the provisions of and directives issued by the State Bank of Pakistan.

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 recognized 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 fair value of investments available for sale - note 17
(v) Estimate of obligation in respect of employee benefit plans - note 11
(vi) Provisions and contingencies - note 17
(vii) Estimate of recoverable amount of goodwill - note 16
(viii) Estimate of recoverable amount of investment in associated companies - note 17
(ix) 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 consolidated financial statements, except for changes as identified in note 4.26 to 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 Group operates. These financial statements are presented in Pak Rupees, which is the Group's functional currency.

4.3 Basis of consolidation

These financial statements include the financial statements of FFC and its subsidiary companies, FFCEL 100% owned (2014: 100% owned) and FFFL 100% owned (2014: 100% owned).

Subsidiaries

Subsidiaries are all entities over which the Group has the control or a shareholding of more than one half of the voting rights. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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 recognizes 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 costs 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 gain or losses arising from such measurement are recognized in profit or loss.

Any contingent considerations to be transferred by the group is recognized 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 recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified an equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized 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 - that is, 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 premeasured to its fair value, with the change in carrying amount recognized 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 recognized 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 recognized 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, where by the Group has right to the net assets of the arrangement, rather than right to its assets and obligations for its liabilities, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group companies' interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.4 Retirement benefits

FFC operates the following retirement benefit schemes:

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. Charge for the year is recognized in profit and loss account, where as actuarial gain or losses which are recorded directly in the other comprehensive income.

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

Compensated absences

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 recognized in profit or loss except to the extent that it relates to items recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 realized. Deferred tax is not recognized 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 not recognized 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 the foreseeable future. In addition, deferred tax is not recognized 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 realized simultaneously.

The Group companies take into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group companies view differ from the income tax department at the assessment stage and where the Group companies consider that their view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

4.6 Property, plant and equipment and capital work in progress

Property, plant and equipment including those acquired on Pak Saudi Fertilizer Company Limited (PSFL) acquisition, are stated at cost less accumulated depreciation and impairment loss, if any except for freehold land and capital work in progress, which are stated at cost less impairment, if any. Cost comprises acquisition and other directly attributable costs. Property, plant and equipment acquired on PSFL acquisition are stated at their cost to FFC, which represents their fair value on acquisition, less accumulated depreciation.

Depreciation is provided on the straight-line basis except for property, plant and equipment of FFFL which are depreciated on reducing balance method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 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 recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group companies and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss 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 recognized 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

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss account.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant assets are assessed for specific impairment. All individually significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

4.8 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries or businesses 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 recognized 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 recognized 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 recognized 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 amortization and impairment loss, if any. These are amortized over the period of their useful lives. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit and loss account.

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 basis over the estimated useful life and is included in the profit and loss account.

4.9 Investments

4.9.1 Investments available for sale

These are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value and changes therein other then impairment loss and foreign currency difference on debt instrument, are recognized in other comprehensive income and accumulated in fair value reserve. When these are derecognized the gain or loss accumulated is reclassified to profit and loss.

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

4.10 Stores, spares and loose tools

Stores, spare parts and loose tools are valued at lower of weighted average cost and net realizable value.

For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Group reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence.

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

4.11 Stock in trade

Stocks are valued at the lower of cost and net realizable 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 realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group companies review the carrying amount of stock in trade and stores, spares and loose tools (note 4.10) on a regular basis and as appropriate, inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory.

4.12 Foreign currency transaction and translation

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

Investment in foreign joint venture

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- income and expenses are translated at the average exchange rates for the period.
- share capital is translated at historical exchange rate.

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

4.13 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when significant risk and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Scrap sales and miscellaneous receipts are recognized on realized amounts.

Government subsidy on sale of fertilizer is recognized when the right to receive such subsidy has been established and the underlying conditions are met. Government subsidy is recognized in other income.

4.14 Borrowing costs

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

4.15 Research and development costs

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

4.16 Provisions

Provisions are recognized when the Group companies have a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

4.17 Dividend and reserve appropriation

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

Non-derivative financial assets

Those other than available for sale and those held at fair value through profit and loss are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Group classifies non-derivative financial assets as available for sale (note 4.9.1), held for trading (note 4.9.2), loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

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.

Non-derivative financial liabilities

The Group initially recognizes non-derivative financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

These financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Non-derivative financial liabilities comprise mark-up bearing borrowings including obligations under finance lease, bank overdrafts and trade and other payables.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.20 Earnings per share

The Group 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.

4.21 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 recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized 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 recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

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

4.22 Leases

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.

4.23 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.

4.24 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.

4.25 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.

4.26 Application of new accounting standards

The Group has adopted IFRS 10 – Consolidated financial statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of interest in other entities and IFRS 13 – Fair value measurement. These standards became applicable from 1 January 2015. IFRS 10 changes the definition of control over investee, IFRS 11, now requires classification of interest in joint arrangements as either join operations (if the Group has the rights to assets and liabilities of an arrangement) or join venture (if the Group has rights only to net asset of the arrangement). IFRS 13 establishes a single framework for measuring fair value and enhances or replaces the disclosures about fair value measurement. Further, it unifies the definition of fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. IFRS 12 expands disclosure about interests in subsidiaries and equity accounted investees. These standards do not have significant impact on these consolidated financial statements except for certain additional disclosures.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2016:

Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) (effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Group's financial statements.

Accounting for Acquisition of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Group's financial statements.

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Group's financial statements.

Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 – Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 – Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Group's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

IFRS 7 'Financial Instruments - Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Group's financial statements.

5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 1,500,000,000 (2014: 1,500,000,000) ordinary shares of Rs 10 each amounting to Rs 15,000,000 thousand (2014: Rs 15,000,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015	2014		2015	2014
(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% (2014: 44.35%) ordinary shares of FFC at the year end.

	Note	2015	2014
		(Rupees '000)	
6. CAPITAL RESERVES			
Share premium	6.1	40,000	40,000
Capital redemption reserve	6.2	120,000	120,000
Translation reserve		264,730	451,592
Spatutory reserve		428,781	–
		853,511	611,592

6.1 Share premium

This represents premium of Rs 5 per share received on public issue of FFC's 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 by FFC of Rs 120,000 thousand in 1996.

	2015	2014
	(Rupees '000)	
7. REVENUE RESERVES		
General reserve	6,802,360	6,802,360
Unappropriated profit	26,823,816	23,230,168
	33,626,176	30,032,528

		Note	2015	2014
			(Rupees '000)	
8.	**LONG TERM BORROWINGS**			
	Loans from banking companies - secured			
	FFC	8.1		
	Al Baraka Bank (Pakistan) Limited (AIBL)		–	25,000
	Dubai Islamic Bank Pakistan Limited (DIB - 1)		–	30,000
	Dubai Islamic Bank Pakistan Limited (DIB - 2)		250,000	350,000
	The Bank of Punjab (BOP - 1)		–	125,000
	The Bank of Punjab (BOP - 2)		500,000	750,000
	The Bank of Punjab (BOP - 3)		450,000	–
	Allied Bank Limited (ABL - 1)		625,000	1,250,000
	Allied Bank Limited (ABL - 2)		1,350,000	–
	United Bank Limited (UBL - 1)		1,125,000	1,500,000
	United Bank Limited (UBL - 2)		1,000,000	–
	Meezan Bank Limited (MBL - 1)		–	250,000
	Meezan Bank Limited (MBL - 2)		2,000,000	–
	Meezan Bank Limited (MBL - 3)		1,000,000	–
	Bank AL Habib Limited (BAH - 1)		900,000	–
	Bank AL Habib Limited (BAH - 2)		1,000,000	–
	Habib Bank Limited (HBL - 1)		2,000,000	–
	Habib Bank Limited (HBL - 2)		1,500,000	–
	Bank Alfalah Limited (BAF)		500,000	–
	MCB Bank Limited (MCB - 1)		2,933,438	–
	MCB Bank Limited (MCB - 2)		2,000,000	–
	MCB Bank Limited (MCB - 3)		369,000	–
	MCB Islamic Bank Limited (MCBIB)		900,000	–
			20,402,438	4,280,000
	FFCEL	8.2		
	Long term financing from financial institutions		7,862,065	9,157,138
	Less: Transaction cost			
	Initial transaction cost		(269,797)	(269,797)
	Accumulated amortisation		115,806	75,934
			7,708,074	8,963,275
	FFFL			
	MCB Bank Limited (MCB)	8.3	1,590,000	1,220,000
	Allied Bank Limited (ABL)	8.4	849,750	
	Less: Transaction cost			
	Initial transaction cost		(4,000)	(4,000)
	Accumulated amortisation		1,754	928
			2,437,504	1,216,928
			30,548,016	14,460,203
	Less: Current portion shown under current liabilities		5,801,752	3,054,000
			24,746,264	11,406,203

8.1 Terms and conditions of these borrowings are as follows:

Lenders	Mark-up rate p.a. (%)	No of installments outstanding	Date of final repayment
AIBL	6 months KIBOR+0.50	Nil	Paid on June 27, 2015
DIB - 1	6 months KIBOR+0.35	Nil	Paid on June 30, 2015
DIB - 2	6 months KIBOR+0.35	05 half yearly	June 26, 2018
BOP - 1	6 months KIBOR+0.50	Nil	Paid on December 30, 2015
BOP - 2	6 months KIBOR+0.50	04 half yearly	December 27, 2017
BOP - 3	6 months KIBOR+0.35	09 half yearly	May 26, 2020
ABL - 1	6 months KIBOR+0.50	02 half yearly	December 23, 2016
ABL - 2	6 months KIBOR+0.40	09 half yearly	June 26, 2020
UBL - 1	6 months KIBOR+0.35	06 half yearly	December 27, 2018
UBL - 2	6 months KIBOR+0.35	08 half yearly	June 30, 2020
MBL - 1	6 months KIBOR+0.50	Nil	Paid on December 30, 2015
MBL - 2	6 months KIBOR+0.05	07 half yearly	July 15, 2019
MBL - 3	6 months KIBOR+0.40	08 half yearly	May 29, 2020
BAH - 1	6 months KIBOR+0.50	09 half yearly	June 26, 2020
BAH - 2	6 months KIBOR+0.40	04 half yearly	September 21, 2017
HBL - 1	3 months KIBOR+0.40	16 Quarterly	June 2, 2020
HBL - 2	3 months KIBOR+0.40	16 Quarterly	September 21, 2020
BAF	6 months KIBOR+0.50	08 half yearly	September 29, 2020
MCB - 1	6 months KIBOR+0.10	07 half yearly	June 3, 2019
MCB - 2	6 months KIBOR+0.40	08 half yearly	June 29, 2020
MCB - 3	6 months KIBOR+0.10	08 half yearly	November 9, 2019
MCBIB	6 months KIBOR+0.50	08 half yearly	December 10, 2020

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 represents long term loan from consortium of ten financial institutions. This loan carries mark up at six months KIBOR + 295 basis points payable six monthly in arrears. Terms of repayment of this loan have changed during this year, and now loan is repayable on enhanced semi annual installments ending on December 2022. 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 include that all representations and warranties be true and correct, no event of default is subsisting and debt to equity ratio be maintained.

8.3 This loan is secured by an equitable mortgage over land and building comprising land measuring 568 kanals and 17 marlas of the FFF, first pari passu hypothecation charge over all present and future fixed assets to the extent of Rs. 2.133 billion of the FFF with 25% margin and Corporate Guarantee of FFC. It is repayable in six semi annual installments starting from April 2016 and carries markup at the rate of 6 month KIBOR + 0.5% (2014: 6 month KIBOR + 0.5%) payable semi-annually.

8.4 This loan is secured by an equitable mortgage over land and building of the FFF comprising land measuring 568 kanals and 17 marlas of the FFF, first pari passu hypothecation charge over all present and future fixed assets of the Company to the extent of Rs. 3.333 billion with 25% margin and Corporate Guarantee of FFC. It is repayable in six semi annual installments starting from March 2017 and carries markup at the rate of 6 month KIBOR + 0.5% (2014 : Nil) payable semi-annually.

		Note	2015	2014
			(Rupees '000)	
9.	**DEFERRED LIABILITIES**			
	Deferred taxation	9.1	4,079,475	3,650,872
	Provision for compensated leave absences / retirement benefits	9.2	1,227,196	923,156
			5,306,671	4,574,028

		Note	2015	2014
			(Rupees '000)	
9.1	**DEFERRED TAXATION**			
	The balance of deferred tax is in respect of the following temporary differences:			
	Accelerated depreciation / amortization		3,253,021	3,765,586
	Provision for slow moving spares, doubtful debts, other receivables and investments		(111,000)	(139,565)
	Retirement benefit obligations		–	(132,949)
	Tax on equity accounted investment		706,347	–
	Measurement of investment available for sale		231,107	157,800
			4,079,475	3,650,872
	The gross movement in the deferred tax liability during the year is as follows:			
	Balance at the beginning		3,650,872	6,361,908
	Tax (credit) / charge recognized in profit and loss account			
	Continuing operations		(11,969)	203,021
	Discontinued operations	35	–	(104,258)
			(11,969)	98,763
	Tax charge / adjustment recognised in other comprehensive income		440,572	188,287
	Discontinued operations	35	–	(2,998,086)
	Balance at the end		4,079,475	3,650,872

9.2 Actuarial valuation has not been carried out for Compensated Leave Absences as the impact is considered to be immaterial.

		Note	2015	2014
			(Rupees '000)	
10.	TRADE AND OTHER PAYABLES			
	Creditors	10.1	1,722,705	25,464,059
	Accrued liabilities		2,662,142	2,421,200
	Consignment account with Fauji Fertilizer Bin Qasim Limited - unsecured		547,401	131,667
	Sales tax payable - net		1,057,137	1,580,749
	Deposits		252,533	215,453
	Retention money		143,480	162,956
	Advances from customers		87,541	6,378,845
	Workers' Welfare Fund		1,226,298	1,191,661
	Payable to gratuity fund		133,690	–
	Unclaimed dividend		613,948	866,481
	Other liabilities		93,616	112,998
			8,540,491	38,526,069

10.1 Creditors include Rs 829,260 thousand (2014: Rs 24,740,966 thousand) on account of Gas Infrastructure Development Cess (GIDC).

		Funded gratuity	Funded pension	2015 Total	2014 Total
		(Rupees '000)			
11.	**RETIREMENT BENEFIT FUNDS**				
i)	**The amounts recognized in the balance sheet are as follows:**				
	Present value of defined benefit obligation	2,012,620	2,960,262	4,972,882	4,309,990
	Fair value of plan assets	(1,878,930)	(3,228,398)	(5,107,328)	(4,397,099)
	Liability / (asset)	133,690	(268,136)	(134,446)	(87,109)
ii)	**Amount recognised in the profit and loss account is as follows:**				
	Current service cost	106,042	121,952	227,994	198,506
	Net interest cost	(3,059)	27,342	24,283	55,238
		102,983	149,294	252,277	253,744
iii)	**The movement in the present value of defined benefit obligation is as follows:**				
	Present value of defined benefit obligation at beginning	1,818,169	2,491,821	4,309,990	4,381,921
	Current service cost	106,042	121,952	227,994	198,506
	Interest cost	206,419	317,586	524,005	495,963
	Benefits paid	(230,287)	(145,475)	(375,762)	(234,346)
	Remeasurement of defined benefit obligation	112,277	174,378	286,655	(65,437)
	Discountinued operations - note 35	–	–	–	(466,617)
	Present value of defined benefit obligation at end	2,012,620	2,960,262	4,972,882	4,309,990
iv)	**The movement in fair value of plan assets:**				
	Fair value of plan assets at beginning	1,846,259	2,550,840	4,397,099	3,781,744
	Expected return on plan assets	209,478	290,244	499,722	440,725
	Contributions	74,893	459,371	534,264	680,268
	Benefits paid	(230,287)	(145,475)	(375,762)	(234,346)
	Remeasurement of plan assets	(21,413)	73,418	52,005	21,672
	Discountinued operations - note 35	–	–	–	(292,964)
	Fair value of plan assets at end	1,878,930	3,228,398	5,107,328	4,397,099
v)	**Actual return on plan assets**	188,065	363,662	551,727	462,397
vi)	**Contributions expected to be paid to the plan during the next year**	144,394	97,701	242,095	203,182
vii)	**Plan assets comprise of:**				
	Investment in debt securities	373,664	1,248,062	1,621,726	2,216,132
	Investment in equity securities	869,765	887,661	1,757,426	1,603,577
	Deposits with banks	477,365	1,018,515	1,495,880	382,203
	Mutual Funds	158,136	74,160	232,296	195,187
		1,878,930	3,228,398	5,107,328	4,397,099

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

		Funded gratuity		Funded pension	
		2015	2014	2015	2014
		(Rupees '000)		(Rupees '000)	
ix)	**Movement in (asset) / liability recognised in balance sheet:**				
	Opening (asset) / liability	(28,090)	609,936	(59,019)	(9,759)
	Cost for the year recognised in profit or loss	102,983	149,918	149,294	103,826
	Employer's contribution during the year	(74,893)	(586,201)	(459,371)	(94,067)
	Total amount of remeasurement recognised in Other Comprehensive Income (OCI) during the year	133,690	(28,090)	100,960	(59,019)
		–	(173,653)	–	–
	Closing liability / (asset)	133,690	(28,090)	(268,136)	(59,019)
x)	**Re-measurements recognised in OCI during the year:**				
	Re-measurement (loss) / gain on obligation	(112,277)	(29,467)	(174,378)	94,904
	Re-measurement (loss) / gain on plan assets	(21,413)	57,557	73,418	(35,885)
	Re-measurement (loss) / gain recognized in OCI	(133,690)	28,090	(100,960)	59,019

		2015		2014	
		Funded gratuity	Funded pension	Funded gratuity	Funded pension
			(Percentage)		
xi)	**Principal actuarial assumptions used in the actuarial valuations are as follows:**				
	Discount rate	9.00	9.00	11.50	11.50
	Expected rate of salary growth				
	Management	9.00	9.00	11.50	11.50
	Non-management	8.00	–	10.50	–
	Expected rate of return on plan assets	9.00	9.00	11.50	11.50
	Expected rate of increase in post retirement pension	–	3.00	–	5.50
	Demographic assumptions				
	Mortality rates (for death in service)	SLIC	SLIC	SLIC	SLIC
		(2001-05)-1	(2001-05)-1	(2001-05)-1	(2001-05)-1
	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.

	2015		2014	
	Defined benefit obligation		Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease	Effect of 1 percent increase	Effect of 1 percent decrease
	(Rupees '000)		(Rupees '000)	
Discount rate	(424,055)	505,386	(346,853)	409,786
Future salary growth	168,114	(157,469)	138,515	(127,863)
Future pension	221,984	(190,601)	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 2015 (Years)	Pension 2015 (Years)	Gratuity 2014 (Years)	Pension 2014 (Years)
Plan duration	6.91	7.32	6.50	7.00

xiv) FFC 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, FFC takes a contribution holiday.

xv) Distribution of timing of benefit payments:

Time in years	Gratuity 2015 (Rupees '000)	Pension 2015 (Rupees '000)	Gratuity 2014 (Rupees '000)	Pension 2014 (Rupees '000)
1	233,808	223,688	153,782	185,543
2	215,415	224,174	332,651	193,880
3	262,387	251,089	207,577	207,691
4	261,489	226,954	284,307	248,255
5	243,054	231,656	232,016	209,189
6-10	1,535,354	1,546,692	1,456,111	1,507,877
11-15	1,773,824	2,013,236	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 102,983 thousand, Rs 137,702 thousand, Rs 149,294 thousand and Rs 274,098 thousand respectively (2014: Rs 149,918 thousand, Rs 112,607 thousand, Rs 103,826 thousand and Rs 172,284 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under Inter Company Services Agreement.

		2015 (Rupees '000)	2014 (Rupees '000)
11.1	**Defined contribution plan**		
	Details of the Employees' Provident Fund based on un-audited financial statements are as follows:		
	Size of the fund (total assets)	6,032,268	5,273,006
	Cost of investments made	5,805,137	4,533,096
	Fair value of investments made	5,340,949	4,737,691
		%	%
	Percentage of investments made	89	90

	2015 (Rupees '000)	2015 %age	2014 (Rupees '000)	2014 %age
Breakup of investment - at cost				
Term deposits and funds with scheduled banks	1,856,256	32	2,697,876	60
Government securities	276,864	5	276,299	6
Listed securities, mutual funds and term finance certificates	3,672,017	63	1,558,921	34
	5,805,137	100	4,533,096	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	2015	2014
			(Rupees '000)	
12.	**INTEREST AND MARK-UP ACCRUED**			
	On long term borrowing		234,227	93,107
	On short term borrowings		173,841	22,784
			408,068	115,891
13.	**SHORT TERM BORROWINGS**			
	Short term running finance facilities from			
	banking companies - secured	13.1		
	MCB Bank Limited (MCB - 1)		1,333,292	1,300,000
	MCB Bank Limited (MCB - 2)		750,000	100,000
	MCB Bank Limited (MCB - 3)		2,500,000	–
	Allied Bank Limited (ABL)		1,984,402	2,000,000
	Bank Al-Habib Limited (BAHL)		995,035	989,393
	United Bank Limited (UBL - 1)		441,111	750,000
	United Bank Limited (UBL - 2)		1,676,800	–
	Askari Bank Limited (AKBL)		989,970	491,576
	Bank Alfalah Limited (BAF)		498,859	499,985
	Habib Bank Limited (HBL - 1)		1,513,494	1,596,489
	Habib Bank Limited (HBL - 2)		700,000	–
	National Bank of Pakistan (NBP)		1,197,639	–
	Habib Metropolitan Bank Limited		500,000	–
	JS Bank Limited		500,000	–
	Soneri Bank Limited		1,000,000	–
	Istisna facilities			
	Meezan Bank Limited (MBL - 1)		1,090,000	2,925,000
	Meezan Bank Limited (MBL - 2)		–	500,000
	Bank Islami Pakistan Limited (BIPL)		350,000	–
	Dubai Islamic Bank Limited (DIBL)		–	450,000
			18,020,602	11,602,443

13.1 Short term running finance

Short term running finance / istisna facilities are available from various banking companies under mark-up / profit arrangements amounting to Rs 18.79 billion (2014: Rs 13.30 billion) which represent the aggregate of sale prices of all mark-up / profit agreements between FFC and respective banks. The facilities have various maturity dates upto September 30, 2016.

The facilities are secured by pari passu / ranking hypothecation charges on assets of FFC besides lien over Term Deposit Receipts / PIBs in certain cases. The per annum rates of mark-up range between one month KIBOR + 0.05% to 0.35% , three months KIBOR + 0.10% to 0.50% (2014: one month KIBOR + 0.05% to 0.35% & three months KIBOR + 0.05% to 0.30%).

			2015	2014
			(Rupees '000)	
14.	CONTINGENCIES AND COMMITMENTS			
	a)	**Contingencies:**		
	i)	Guarantees issued by banks on behalf of the Group companies	15,010	50,997
	ii)	Claims against FFC and / or potential exposure not acknowledged as debt	50,696	50,696
	iii)	FFCEL's contingent liability in respect of sales tax.	–	56,123
	iv)	Group's share of contingencies in Fauji Fertilizer Bin Qasim Limited.	19,492,012	17,544,950
	v)	Group's share of contingencies in Fauji Cement Company Limited		
		as at September 30, 2015 (2014: December 31, 2014).	226,088	111,086
	vi)	Group's share of contingencies in Askari Commercial Bank Limited		
		as at September 30, 2015 (2014: December 31, 2014).	77,691,721	62,998,141

vii) 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.

		2015	2014
		(Rupees '000)	
b)	**Commitments in respect of:**		
i)	Capital expenditure	1,067,085	2,994,277
ii)	Purchase of fertilizer, stores, spares and other operational items	540,496	2,869,125
iii)	Group's share of commitments of PMP as at September 30, 2015	33,149	18,251
	(2014: September 30, 2014)		
iv)	Rentals under lease agreements:		
	Premises - not later than one year	104,958	71,398
	- later than one year and not later than:		
	two years	54,044	31,740
	three years	52,922	52,054
	four years	27,372	27,262
	five years and later	46,595	46,587
	Vehicles - not later than one year	33,656	33,538
	- later than one year and not later than:		
	two years	19,109	23,263
	three years	17,156	15,376
	four years	16,631	12,592
	five years	5,863	10,691

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, 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 January 1, 2015															
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
Year ended December 31, 2015															
Opening 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
Additions	225	-	1,374,775	-	-	4,125,340	95,849	101,643	24,802	109,212	224,666	1,851	3,047,910	-	9,106,273
Disposals															
Cost	-	-	-	-	-	(41,370)	-	(12,751)	(1,347)	(21,322)	(12,338)	-	-	-	(89,128)
Depreciation	-	-	-	-	-	27,171	-	12,589	1,324	21,300	12,276	-	-	-	74,660
	-	-	-	-	-	(14,199)	-	(162)	(23)	(22)	(62)	-	-	-	(14,468)
Transfers	-	-	-	-	-	(61)	-	(133)	133	1,183	-	-	(4,376,925)	(1,183)	(4,376,986)
Adjustments															
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	38	(38)	(539)	-	-	-	539	-
	-	-	-	-	-	-	-	38	(38)	(539)	-	-	-	539	-
Depreciation Charge	-	(14,072)	(150,060)	(108,581)	-	(1,569,934)	(315,744)	(117,647)	(30,789)	(89,076)	(193,563)	(1,582)	-	(114)	(2,591,162)
Balance as at December 31, 2015	617,497	29,937	3,032,561	1,853,933	-	24,916,702	724,423	503,483	191,639	285,834	547,214	3,182	2,521,872	-	35,228,277
As at December 31, 2015															
Cost	617,497	178,750	5,344,709	2,102,921	26,517	44,811,583	1,903,787	1,057,535	376,843	673,584	2,182,343	25,381	2,521,872	198	61,823,520
Accumulated depreciation	-	(148,813)	(2,312,148)	(248,988)	(26,517)	(19,894,881)	(1,179,364)	(554,052)	(185,204)	(387,750)	(1,635,129)	(22,199)	-	(198)	(26,595,243)
Net Book Value	617,497	29,937	3,032,561	1,853,933	-	24,916,702	724,423	503,483	191,639	285,834	547,214	3,182	2,521,872	-	35,228,277
Rate of depreciation / amortization in %	-	61/4 to 91/4	5 to 10	5	5	5	20	15	10	20	15 to 33 1/3	30	-	-	-

		Note	2015	2014
			(Rupees '000)	
15.1	**Depreciation charge has been allocated as follows:**			
	Continuing Operations			
	Cost of sales	29	2,486,387	2,329,025
	Administrative and distribution expenses	30	86,888	77,988
	Charged to FFBL		17,887	7,378
	Discontinued operations	35		
	Cost of sales		–	1,015,698
	Administrative and distribution expenses		–	41,659
			2,591,162	3,471,748

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	41,302	14,198	1,011
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand		47,826	270	21,068
Continued Operations		89,128	14,468	22,079
Discontinued operations		–	–	–
2015		89,128	14,468	22,079
Continued operations		302,843	13,207	47,260
Discontinued operations		43,633	3,952	17,999
2014		346,476	17,159	65,259

		Note	2015	2014
			(Rupees '000)	
15.3	**Capital Work in Progress**			
	Civil works including mobilization advance		331,295	770,814
	Plant and machinery including advances to suppliers		2,190,577	3,080,073
			2,521,872	3,850,887
16.	**INTANGIBLE ASSETS**			
	Computer software	16.1	7,486	41,970
	Goodwill	16.2	1,932,561	1,932,561
			1,940,047	1,974,531

		Note	2015	2014
			(Rupees '000)	
16.1	**Computer Software**			
	Balance at beginning		41,970	82,358
	Additions during the year		7,116	8,802
	Amortisation charged for the year		(41,600)	(49,190)
	Balance at end		7,486	41,970
	Amortisation rate		33 1/3%	33 1/3%
	Amortisation charge has been allocated as follows:			
	Cost of sales	29	30,071	37,484
	Administrative and distribution expenses	30	11,529	11,706
			41,600	49,190
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 13.82%. 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 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 net selling price value in accordance with IAS 36 "Impairment of Assets". Based on this calculation no impairment is required to be accounted for against the carrying amount of goodwill.

		Note	2015	2014
			(Rupees '000)	
17.	**LONG TERM INVESTMENTS**			
	Equity accounted investments	17.1	38,773,066	34,453,126
	Other long term investments	17.2	7,928,960	7,334,005
			46,702,026	41,787,131

		Note	2015	2014
			(Rupees '000)	
17.1	**Equity accounted investments**			
	Investment in associated companies - under equity method			
	Fauji Fertilizer Bin Qasim Limited (FFBL)	17.3		
	Balance at the beginning		19,479,310	18,710,223
	Share of profit / OCI for the year		2,705,538	1,118,510
	Dividend received		(1,397,676)	(349,423)
			20,787,172	19,479,310
	Askari Bank Limited (AKBL)	17.4		
	Balance at the beginning		11,859,580	11,859,580
	Share of profit / OCI for the year		3,769,236	–
	Dividend received		(1,087,536)	–
			14,541,280	11,859,580
	Fauji Cement Company Limited (FCCL)	17.5		
	Balance at the beginning		1,824,000	2,149,878
	Share of profit / OCI for the year		306,648	207,670
	Dividend received		(234,375)	(168,750)
			1,896,273	2,188,798
	Discontinued operations		–	(364,798)
			1,896,273	1,824,000
	Foundation Wind Energy-I Limited			
	Advance for issue of shares - balance at beginning		–	923,941
	Advance for issue of shares during the year		–	189,043
	Share of loss for the year		–	(10,631)
			–	1,102,353
	Discontinued operations			(1,102,353)
			–	–
	Foundation Wind Energy-II (Private) Limited			
	Advance for issue of shares - balance at beginning		–	971,100
	Advance paid during the year		–	96,226
	Share of loss for the year		–	(1,653)
			–	1,065,673
	Discontinued operations			(1,065,673)
			–	–
	Investment in joint venture - under equity method			
	Pakistan Maroc Phosphore S.A., Morocco (PMP)	17.6		
	Balance at the beginning		1,290,236	1,961,774
	Share of profit for the year		355,539	553,461
	Loss / gain on translation of net assets		(97,434)	1,354,774
			1,548,341	3,870,009
	Discontinued operations		–	(2,579,773)
	Balance at the end		1,548,341	1,290,236
			38,773,066	34,453,126

17.1.1 Comparative amounts of Group share in profits / other comprehensive income includes amounts of Rs 34,865 thousand, Rs 368,720 thousand, Rs 10,631 thousand and Rs 1,653 thousand representing share of profit of FCCL and PMP and loss of Foundation Wind Energy- I Limited and Foundation Wind Energy- II (Private) Limited respectively. As more fully explained in note 35, these were reclassified to discontinued operations.

		Note	2015	2014
			(Rupees '000)	
17.2	**Other long term investments**			
	Investments available for sale	17.8		
	Certificates of Investment		114,758	113,868
	Pakistan Investment Bonds		8,230,410	7,178,198
	Term Finance Certificates		99,917	99,500
			8,445,085	7,391,566
	Less: Current portion shown under short term investments			
	Certificates of Investment		29,574	27,094
	Pakistan Investment Bonds		486,551	30,467
	Term Finance Certificates		–	–
			516,125	57,561
			7,928,960	7,334,005

17.3 Investment in FFBL - at equity method

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, 2015. Market value of the Company's investment as at December 31, 2015 was Rs 24,543,191 thousand (2014: Rs 21,062,973 thousand). Pursuant to an agreement dated 16 October 2014, The Company has agreed to issue to Fauji Foundation, irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of FFBL, shall be nominated by FF.

17.4 Investment in AKBL - at equity method

Investment in AKBL represents 543,768 thousand fully paid ordinary shares of Rs 10 each representing 43.15% (2014: 43.15%) of AKBL's share capital. Market value of the Company's investment as at December 31, 2015 was Rs 11,821,516 thousand (2014: Rs 12,544,728 thousand). Pursuant to an agreement dated 16 October 2014, The Company has agreed to issue to Fauji Foundation, irrevocable proxies to allow FF to vote on behalf of the Company in all general meetings. Further, the Company has given an undertaking that representatives of FF to be elected or co-opted or appointed on the Board of AKBL, shall be nominated by FF. Management of the Company has carried out an impairment analysis for this investment, based on future expected cash flows for the future years and terminal values. The future cash flows has been discounted at weighted average cost of capital of 13.82%. Based on this analysis management believes that this investment is carried at its recoverable amount in these consolidated financial statements.

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, 2015. 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, 2015 was Rs 3,451,875 thousand (2014: Rs 2,422,500 thousand). FCCL is an associate of the Group due to common directorship.

17.6 Summary financial information of equity accounted investees

Associates

The following table summarises the financial information of associates as included in its own financial statements for the period ended 31 December 2015 and 30 September 2015, which have been used for accounting under equity method as these were the latest approved financial statements.

Reporting date of AKBL and FFBL is 31 December and reporting date FCCL is 30 June. Accordingly, results of operations of three quarters of financial year 2015 and last quarter of financial year 2014 have been considered for AKBL and results of operations of first quarter of financial year 2016 and three quarters of financial year 2015 have been considered for other associates. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in associate.

	2015			
	FCCL	FFBL	AKBL	Total
	(Rupees '000)			
Percentage of shareholding	6.79%	49.88%	43.15%	
Non current assets / Total assets (AKBL)	23,773,322	42,421,797	516,574,531	582,769,650
Current assets (including cash and cash equivalents)	7,440,266	33,815,791	–	41,256,057
Total assets	31,213,588	76,237,588	516,574,531	624,025,707
Non-current liabilities / Total liabilities (AKBL)	(7,899,135)	(16,080,138)	(490,364,606)	(514,343,879)
Current liabilities	(6,772,877)	(40,716,715)	–	(47,489,592)
Total liabilities	(14,672,012)	(56,796,853)	(490,364,606)	(561,833,471)
Net assets at fair value (100%)	16,541,576	19,440,735	26,209,925	62,192,236
Non-controlling interest of asscociate	–	(2,565,620)	–	(2,565,620)
Net assets attributable to Group (100%)	16,541,576	16,875,115	26,209,925	59,626,616
Groups share of net assets	1,123,173	8,417,307	11,309,583	20,850,063
Impact of fair value adjustment on retained interest in associates at loss of control	–	12,369,865	3,108,749	15,478,614
Goodwill	823,365	–	–	823,365
Other adjustments	(50,265)	–	122,948	72,683
Carrying amount of interest in associate	1,896,273	20,787,172	14,541,280	37,224,725
Revenue	18,848,729	52,182,072	43,310,741	114,341,542
Profit from continuing operations (100%)	4,516,176	5,184,879	4,874,752	14,575,807
Other comprehensive income (100%)	–	239,215	3,860,442	4,099,657
Total comprehensive income (100%)	4,516,176	5,424,094	8,735,194	18,675,464
Groups share of total comprehensive income	306,648	2,705,538	3,769,236	6,781,422

	2014			
	FCCL	FFBL	AKBL	Total
	(Rupees '000)			
Percentage of shareholding	6.79%	49.88%	43.15%	
Non current assets/ Total assets (AKBL)	24,565,589	25,482,422	409,895,434	459,943,445
Current assets	6,102,755	21,995,709	–	28,098,464
Total assets	30,668,344	47,478,131	409,895,434	488,041,909
Non-current liabilities / Total liabilities (AKBL)	(9,891,848)	(13,317,192)	(389,615,409)	(412,824,449)
Current liabilities	(5,360,220)	(19,907,588)	–	(25,267,808)
Total liabilities	(15,252,068)	(33,224,780)	(389,615,409)	(438,092,257)
Net assets (100%)	15,416,276	14,253,351	20,280,025	49,949,652
Group share of net assets	1,046,765	7,109,571	8,750,831	16,907,167
Impact of fair value adjustment on retained interest in associates at loss of control	–	12,369,865	3,108,749	15,478,614
Goodwill	823,365	–	–	823,365
Other adjustments	(46,130)	–	–	(46,130)
Carrying amount of interest in associate	1,824,000	19,479,436	11,859,580	33,163,016
Revenue	17,828,790	23,247,502	–	41,076,292
Profit from continuing operations (100%)	2,545,000	2,242,401	–	4,787,401
Other comprehensive income (100%)	–	–	–	–
Total comprehensive income (100%)	2,545,000	2,242,401	–	4,787,401
Groups share of total comprehensive income	172,806	1,118,510	–	1,291,316

Figures for FFBL represent period from 4 October 2014 to 31 December 2014. Further figures for AKBL have not been presented since no share relating to AKBL has been recorded during the year ended 31 December 2014. Since no financial statements subsequent to the date at which it became an associate were available till the date of approval of consolidated financial statement.

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates

	2015	2014
	(Rupees '000)	
Carrying amount of interests in associates	37,224,725	33,163,016
share of:		
- profit from continuing operations	4,996,321	1,291,316
- OCI	1,785,101	–

Joint venture

The following table summarizes the financial information of PMP as included in its own financial statements for the period ended 30 September 2015, which have been used for accounting under equity method as these were the latest approved financial statements. Further, results of operations of last quarter of 2014 have also been considered for equity accounting. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in PMP.

	2015	2014
	(Rupees '000)	
Percentage ownership interest	12.5%	12.5%
Non-current assets	10,241,536	12,349,640
Current assets	11,764,928	11,547,128
Non-current liabilities	(532,440)	(2,685,608)
Current liabilities	(9,096,436)	(10,892,064)
Net Assets (100%)	12,377,588	10,319,096
Group's share of net assets (12.5%)	1,547,199	1,289,887
Revenue	31,594,674	27,621,875
Depreciation and amortization	(1,171,989)	(1,247,538)
Interest expense	(299,930)	(448,217)
Income tax expense	(160,438)	(138,128)
Other expenses	(27,118,009)	(24,310,065)
Profit and total comprehensive Income (100%)	2,844,308	1,477,927
Profit and total comprehensive Income (12.5%)	355,539	184,741
Group's share of total comprehensive income	355,539	184,741

This represents FFCL's share of translation reserve of PMP. This has arisen due to movement In exchange rate parity between the Moroccan Dhiram and Pakistani Rupee.

17.7 Investments available for sale

Certificates of Investment (COI) / Term deposits receipts

These represent placement in Term Deposits with financial institution having tenures ranging from one to five years with returns in the range of 5.12% to 12.32% per annum (2014: 7.58% to 12.32% per annum).

Pakistan Investment Bonds (PIBs)

PIBs with 3, 5 and 10 years tenure having aggregate face value of Rs 7.465 billion are due to mature within a period of 7 years. Profit is payable on half yearly basis with coupon rates ranging from 11.25% to 12.00% per annum. The PIBs are placed with banks as collateral to secure financing facilities.

Term Finance Certificates (TFCs)

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

		Note	2015	2014
			(Rupees '000)	
18.	LONG TERM LOANS AND ADVANCES - SECURED			
	Loans and advances - considered good, to:	18.1		
	Executives		742,883	769,788
	Other employees		370,027	338,839
			1,112,910	1,108,627
	Less: Amount due within twelve months, shown under current loans and advances	23	298,612	285,439
			814,298	823,188

18.1 Reconciliation of carrying amount of loans and advances:

	Executives	Other employees	2015 Total	2014 Total
		(Rupees '000)		
Balance at January 1	769,788	338,839	1,108,627	979,758
Disbursements	304,230	125,811	430,041	473,674
	1,074,018	464,650	1,538,668	1,453,432
Repayments	331,135	94,623	425,758	344,805
Balance at December 31	742,883	370,027	1,112,910	1,108,627

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 4% per annum.

The maximum amount of loans and advances to executives outstanding at the end of any month during the year was Rs 980,616 thousand (2014: Rs 772,804 thousand).

		Note	2015	2014
			(Rupees '000)	
19.	LONG TERM DEPOSITS AND PREPAYMENTS			
	Deposits		24,468	14,568
	Prepayments		613	3,236
			25,081	17,804
20.	STORES, SPARES AND LOOSE TOOLS			
	Stores		195,710	266,801
	Spares		3,190,262	3,127,230
	Provision for slow moving spares	20.1	(361,432)	(390,866)
			2,828,830	2,736,364
	Loose tools		144	132
	Items in transit		371,078	311,526
			3,395,762	3,314,823
20.1	**Movement of provision for slow moving spares**			
	Balance at the beginning		390,866	497,722
	Provision during the year		–	58,694
	Reversal during the year		(29,434)	–
	Discontinued operations	35	–	(165,550)
	Balance at the end		361,432	390,866

		Note	2015	2014
			(Rupees '000)	
21.	**STOCK IN TRADE**			
	Raw materials		65,439	227,227
	Work in process		106,097	64,860
	Finished goods			
	- manufactured		2,172,446	584,930
	- purchased		2,783,609	21,504
	Stocks in transit		–	86,826
			5,127,591	985,347
22.	**TRADE DEBTS**			
	Considered good:			
	Secured			
	- against bank guarantees		1,731,522	772,417
	- against guarantee issued by the Government of Pakistan	22.1	420,326	1,394,381
	Unsecured		46,728	54,465
	Considered doubtful		1,758	1,758
			2,200,334	2,223,021
	Provision for doubtful debts		(1,758)	(1,758)
			2,198,576	2,221,263

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 + 4.5% per annum.

		Note	2015	2014
			(Rupees '000)	
23.	**LOANS AND ADVANCES**			
	Current portion of long term loans and advances	18	298,612	285,439
	Loans and advances - unsecured - considered good			
	- Executives		37,703	55,019
	- Others		10,309	28,905
	Advances to suppliers - Considered good		181,283	162,016
			527,907	531,379
24.	**DEPOSITS AND PREPAYMENTS**			
	Deposits		1,292	1,824
	Prepayments		38,828	25,765
			40,120	27,589

		Note	2015	2014
			(Rupees '000)	
25.	**OTHER RECEIVABLES**			
	Accrued income on investments and bank deposits		536,992	534,778
	Sales tax receivable		42,486	42,486
	Advance tax	25.1	351,708	322,475
	Receivable from Workers' Profit Participation			
	Fund - unsecured	25.3	33,536	55,300
	Receivable from Fauji Fertilizer Bin Qasim Limited - unsecured		49,010	–
	Due from government agencies		–	37,953
	Subsidy receivable from government agencies	25.2	1,489,977	–
	Due from Gratuity Fund		–	28,090
	Due from Pension Fund		268,136	59,019
	Other receivables			
	considered good		311,908	102,126
	considered doubtful		2,232	2,232
	Provision for doubtful receivables		(2,232)	(2,232)
			311,908	102,126
			3,083,753	1,182,227

25.1 This mainly 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.

25.2 This represents Subsidy @ Rs 500 per 50 kg bag, on sale of Di-Ammonium Phosphate (DAP) fertilizer pursuant to notification No. F.1-11/2012/DFSC-11/Fertilizer dated October 15, 2015 issued by Ministry of National Food Security & Research, Government of Pakistan.

		Note	2015	2014
			(Rupees '000)	
25.3	**Workers' Profit Participation Fund (WPPF)**			
	Balance at beginning		55,300	10,032
	Allocation for the year		(1,316,042)	(1,409,278)
	Receipt from fund	25.3.1	(65,722)	(69,917)
	Payment to fund		1,360,000	1,475,000
	Discontinued operations	35	–	49,463
			33,536	55,300

25.3.1 This represents amount paid to WPPF in prior years' in excess of obligation.

	Note	2015	2014
		(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 (2014: Rs 3,900 thousand)		9,092,000	25,400,000
Foreign currency		1,396,192	1,309,818
		10,488,192	26,709,818
Investments at fair value through profit or loss	26.2		
Market treasury bills / money market funds		183,403	665,458
Current maturity of long term investments			
Available for sale	17	516,125	57,561
		11,187,720	27,432,837

26.1 These represent investments having maturities ranging between 1 to 6 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 Nil (2014: Rs 500,000 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.

	2015	2014
	(Rupees '000)	
27. CASH AND BANK BALANCES		
At banks		
Local Currency		
Current Account	106,633	248,132
Deposit Account	1,390,333	669,212
	1,496,966	917,344
Foreign Currency		
Deposit Account	1,965	2,919
Cash in transit	1,908,152	1,128,741
Cash in hand	2,052	1,598
	3,409,135	2,050,602

27.1 Balances with banks include Rs 738,350 thousand (2014: Rs 653,943 thousand) in respect of security deposits received.

27.2 Balances with banks carry mark-up ranging from 2.5% to 7.25% (2014: 5% to 10%) per annum.

28. SALES

Sales include Rs 10,200,523 thousand (2014: Rs 8,734,079 thousand) in respect of sale of purchased fertilizers and are exclusive of sales tax and discount of Rs 15,388,642 thousand (2014: Rs 14,188,461 thousand) and Rs 1,084,095 thousand (2014: Nil) respectively.

	Note	2015	2014
		(Rupees '000)	
29. COST OF SALES			
Raw materials consumed		27,022,783	24,372,474
Fuel and power		8,075,315	7,713,599
Chemicals and supplies		352,678	366,674
Salaries, wages and benefits		5,887,436	5,023,955
Training and employees welfare		845,825	833,770
Rent, rates and taxes		19,432	16,099
Insurance		251,374	255,119
Travel and conveyance	29.1	402,443	479,802
Repairs and maintenance (includes stores and spares consumed of Rs 1,809,203 thousand; (2014: Rs 1,239,353 thousand)		2,062,458	1,371,026
Depreciation	15.1	2,486,387	2,329,025
Amortisation	16.1	30,071	37,484
Communication and other expenses	29.2	1,754,914	1,641,817
		49,191,116	44,440,844
Opening stock - work in process		64,860	67,903
Closing stock - work in process		(106,097)	(64,860)
		(41,237)	3,043
Cost of goods manufactured		49,149,879	44,443,887
Opening stock of manufactured urea		584,930	71,424
Closing stock of manufactured urea		(2,172,446)	(584,930)
		(1,587,516)	(513,506)
Cost of sales - own manufactured urea		47,562,363	43,930,381
Opening stock of purchased fertilizers		21,504	–
Purchase of fertilizers for resale		11,968,858	6,969,361
		11,990,362	6,969,361
Closing stock of purchased fertilizers		(2,756,038)	(21,504)
Cost of sales - purchased fertilizers		9,234,324	6,947,857
		56,796,687	50,878,238

29.1 These include operating lease rentals amounting to Rs 44,095 thousand (2014: Rs 45,478 thousand).

29.2 This includes provision for slow moving spares amounting to Rs Nil (2014: Rs 58,694 thousand).

		Note	2015	2014
			(Rupees '000)	
30.	**ADMINISTRATIVE AND DISTRIBUTION EXPENSES**			
	Administrative expenses	30.1	142,617	163,521
	Product transportation		4,220,398	3,970,241
	Salaries, wages and benefits		1,590,906	1,322,121
	Training and employees welfare		106,880	80,924
	Rent, rates and taxes		120,633	105,131
	Technical services to farmers		15,144	14,795
	Travel and conveyance	30.2	164,026	198,186
	Sale promotion and advertising		142,276	208,218
	Communication and other expenses		239,249	394,452
	Warehousing expenses		126,693	69,757
	Depreciation	15.1	86,888	77,988
	Amortisation	16.1	11,529	11,706
			6,967,239	6,617,040
30.1	**Administrative expenses**			
	This represents administrative and general expenses of FFCEL and FFFL:			
	Salaries, wages and benefits		59,482	83,895
	Travel and conveyance		2,588	10,154
	Utilities		2,483	8,923
	Printing and stationery		1,470	2,036
	Repairs and maintenance		203	1,119
	Communication, advertisement and other expenses		1,090	4,144
	Rent, rates and taxes		14,429	9,725
	Legal and professional		30,569	19,413
	Miscellaneous		30,303	24,112
			142,617	163,521

30.2 These include operating lease rentals amounting to Rs 131,752 thousand (2014: Rs 130,420 thousand).

		2015	2014
		(Rupees '000)	
31.	**FINANCE COST**		
	Mark-up on long term borrowings	1,991,554	1,822,512
	Mark-up on short term borrowings	470,643	218,782
	Exchange loss - net	–	87,897
	Bank charges	22,985	20,071
		2,485,182	2,149,262

		Note	2015	2014
			(Rupees '000)	
32.	**OTHER EXPENSES**			
	Research and development		463,868	355,424
	Workers' Profit Participation Fund (WPPF)		1,316,042	1,409,278
	Workers' Welfare Fund (WWF)		501,931	535,526
	Auditors' remuneration			
	Audit fee		2,325	1,650
	Fee for half yearly review, audit of consolidated financial statements and review of Code of Corporate Governance		1,159	804
	Out of pocket expenses		339	255
			3,823	2,709
	Others		–	625
			2,285,664	2,303,562
33.	**OTHER INCOME**			
	Income from sales under Government subsidy	33.1	1,489,977	–
	Income from financial assets			
	Income on loans, deposits and investments		1,778,066	1,667,099
	Gain on re-measurement of investments classified as fair value through profit and loss		10,278	34,622
	Dividend income		9,364	–
	Exchange gain		2,853	37,634
			1,800,561	1,739,355
	Income from non financial assets			
	Gain on disposal of property, plant and equipment		7,611	34,054
	Commission on sale of FFBL products		20,761	7,166
			28,372	41,220
	Other income			
	Scrap sales		25,756	19,373
	Others		151,354	113,674
			177,110	133,047
			3,496,020	1,913,622

33.1 This represents Subsidy @ Rs 500 per 50 kg bag, on sale of Di-Ammonium Phosphate (DAP) fertilizer pursuant to notification No. F.1-11/2012/DFSC-11/Fertilizer dated October 15, 2015 issued by Ministry of National Food Security & Research, Government of Pakistan.

		2015	2014
		(Rupees '000)	
34.	**PROVISION FOR TAXATION**		
	Current tax	8,232,038	7,873,860
	Deferred tax	(11,968)	203,021
		8,220,070	8,076,881
	Reconciliation of tax charge for the year		
	Profit before taxation from continuing operations and share in profit of equity accounted investments	27,653,366	24,523,287

	2015 %	2014 %
Reconciliation of tax charge for the year		
Applicable tax rate	32.00	33.00
Tax effect of income that is not taxable or taxable at reduced rates	(2.65)	0.51
Effect of change in tax rate	(1.87)	0.13
Effect of super tax	2.83	–
Others	(0.58)	(0.70)
Average effective tax rate charged on income	29.73	32.94

35. Discontinued Operations

35.1 During the year ended 31 December 2014, 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	1 Jan 2014 to 3 Oct 2014 (Rupees '000)
35.2 Profit and loss account		
Sales		28,934,570
Cost of sales		22,646,846
Gross profit		6,287,724
Administrative and distribution expense		3,361,691
		2,926,033
Finance cost		1,044,603
Other expenses		188,217
		1,693,213
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
		15,945,833
Share in profit / (loss) of equity accounted investments		391,301
Profit before taxation		18,030,347
Provision for taxation - (charge) / credit		
- Current		(874,861)
- Deferred		104,258
		(770,603)
Net profit from discontinued operations		17,259,744

Comparative figures in the consolidated profit and loss account have been re-presented to separately disclose discontinued operations.

		Note	3 Oct 2014 (Rupees '000)
35.3	**Gain on loss of control of FFBL**		
	Sale proceeds 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

		3 Oct 2014 (Rupees '000)
35.5	**Other comprehensive income**	
	Exchange difference on translating foreign investment	(135,925)
	Loss on measurement of staff retirement benefit plans - net of tax	(26,514)
		(162,439)
35.6	Earnings per share from discontinued operations	13.57
35.7	The cash outflow on FFBL disposal is as follows:	

	3 Oct 2014 (Rupees '000)
Consideration received	375,139
Cash and cash equivalents disposed off	(585,607)
Cash outflow on FFBL disposal	(210,468)

NOTES TO AND FORMING PART
OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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:

	3 Oct 2014 (Rupees '000)
Assets	
Non - Current Assets	
Property, plant and equipment	13,280,228
Long term investments	10,343,588
Long term deposits and prepayments	78,643
	23,702,459
Current Assets	
Stores, spares and loose tools	2,244,206
Stock in trade	6,813,564
Trade debts	1,244,908
Loans and advances	766,971
Deposits and prepayments	59,210
Other receivables	486,515
Short term investments	6,608,935
Cash and bank balances	3,411,098
	21,635,407
Total Assets	45,337,866
Liabilities	
Non - Current Liabilities	
Long term borrowings	10,000,000
Deferred liabilities	
- Compensated leave absences	440,306
- Deferred tax	2,998,086
	3,438,392
	13,438,392
Current Liabilities	
Trade and other payables	11,253,812
Interest and mark-up accrued	253,060
Short term borrowings	5,602,571
Current portion of long term borrowings	1,944,600
Taxation	214,146
	19,268,189
Total liabilities	32,706,581
Net Assets	12,631,285

		2015	2014
36.	EARNINGS PER SHARE - Basic and diluted		
	Profit after tax attributable to Equity holders of Fauji Fertilizer		
	Company Limited (Rupees '000)		
	Continuing operations	19,433,296	17,378,695
	Discontinued operations	–	17,259,744
		19,433,296	34,638,439
	Weighted average number of shares in issue ('000)	1,272,238	1,272,238
	Basic and diluted earnings per share (Rupees)		
	Continuing operations	15.27	13.66
	Discontinued operations	–	13.57
		15.27	27.23

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

37. REMUNERATION OF CHIEF EXECUTIVES, 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:

	2015		2014	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	7,829	1,797,973	8,561	1,486,652
Contribution to provident fund	536	112,177	615	91,310
Bonus and other awards	1,313	1,984,940	3,703	1,766,538
Allowances and contribution to				
retirement benefit plans	10,589	1,359,406	6,398	1,130,354
Total	20,267	5,254,496	19,277	4,474,854
No. of person(s)	1	861	1	743

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 4,422 thousand (2014: Nil) and Rs 52,445 thousand (2014: Rs 43,480 thousand) were paid to chief executive and executives respectively on separation, in accordance with the Company's policy.

In addition, 14 (2014: 18) directors were paid aggregate fee of Rs 5,450 thousand (2014: 5,570 thousand).

		2015	2014
		(Rupees '000)	
38.	**CASH GENERATED FROM OPERATIONS**		
	Net profit before taxation from continuing operations	27,653,366	25,455,576
	Adjustments for:		
	Depreciation and amortisation	2,614,875	2,456,203
	(Reversal of) / provision for slow moving spares	(29,434)	58,694
	Finance cost	2,485,182	2,149,262
	Income on loans, deposits and investments	(1,778,066)	(1,667,099)
	Gain on re-measurement of investments at fair value through profit or loss	(10,278)	(34,622)
	Dividend income	(9,364)	–
	Exchange loss / (gain)	70,214	(37,634)
	Share of profit of associate and joint venture	(5,351,860)	(1,476,057)
	Gain on disposal of property, plant and equipment	(7,611)	(34,054)
	Government subsidy on sale of fertilizer	(1,489,977)	–
		(3,506,319)	1,414,693
		24,147,047	26,870,269
	Changes in working capital		
	(Increase) / decrease in current assets:		
	Stores and spares	(51,505)	(128,872)
	Stock in trade	(4,142,244)	(683,390)
	Trade debts	22,687	(953,651)
	Loans and advances	3,472	395,702
	Deposits and prepayments	(12,531)	16,789
	Other receivables	(480,007)	(239,152)
	Increase in current liabilities:		
	Trade and other payables	(29,826,628)	15,721,618
		(34,486,756)	14,129,044
	Changes in long term loans and advances	8,890	(82,780)
	Changes in long term deposits and prepayments	(7,277)	(13,392)
	Changes in deferred liabilities	304,040	104,350
		(10,034,056)	41,007,491
38.1	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	3,409,134	2,050,602
	Short term running finance	(18,020,602)	(11,602,443)
	Short term highly liquid investments	10,270,064	25,709,818
		(4,341,404)	16,157,977

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

39.1 Financial instruments by category

December 31, 2015	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	2,198,576	–	–	2,198,576
Loans and advances	346,624	–	–	346,624
Deposits	1,292	–	–	1,292
Other receivables	2,421,423	–	–	2,421,423
Short term investments	10,488,192	516,125	183,403	11,187,720
Cash and bank balances	3,409,135	–	–	3,409,135
Maturity after one year				
Long term investments	–	7,928,960	–	7,928,960
Long term loans and advances	814,298	–	–	814,298
Deposits	12,388	–	–	12,388
	19,691,928	8,445,085	183,403	28,320,416

	Other financial liabilities	Total
	(Rupees '000)	
Financial liabilities		
Maturity up to one year		
Trade and other payables	6,035,825	6,035,825
Interest and mark up accrued	408,068	408,068
Short term borrowings	18,020,602	18,020,602
Current portion of long term borrowings	5,801,752	5,801,752
Maturity after one year		
Long term borrowings	24,746,264	24,746,264
	55,012,511	55,012,511

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

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	2015	2014
		(Rupees '000)	
Trade Debts			
Counterparties without external credit ratings			
Existing customers with no default in the past		2,198,576	2,221,263
Loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		1,192,551	369,363
Deposits			
Counterparties without external credit ratings			
Others		1,292	1,824
Other receivables			
Counterparties with external credit ratings	A1 +	416,797	438,517
	A1	111,451	96,260
Counterparties without external credit ratings			
Others		2,161,311	102,127
		2,689,559	636,904
Short term investments			
Counterparties with external credit ratings	A1 +	7,796,946	23,824,739
	A1	2,041,246	3,608,098
	A2	650,000	–
		10,488,192	27,432,837

	Rating	2015	2014
		(Rupees '000)	
Bank balances			
Counterparties with external credit ratings	A1 +	1,184,755	1,699,805
	A1	1,833	350,797
		1,186,588	2,050,602
Long term investments			
Counterparties with external credit ratings	AA -	6,313,519	6,722,322
	AA	1,500,310	611,683
	AA +	115,131	–
		7,928,960	7,334,005
Long term loans and advances			
Counterparties without external credit ratings			
Loans and advances to employees		814,298	823,188

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 companies risk management framework. The Board is also responsible for developing and monitoring the Group Companies risk management policies.

The Group companies risk management policies are established to identify and analyse the risks faced by the companies, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group companies activities. The Group Companies, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group companies risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group Companies. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

39.4 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:

	2015	2014
	(Rupees '000)	
Long term investments	7,928,960	7,334,005
Loans and advances	1,160,922	1,192,551
Deposits	13,680	16,747
Trade debts - net of provision	2,198,576	2,221,263
Other receivables - net of provision	2,421,423	636,904
Short term investments	11,187,720	27,432,837
Bank balances	1,498,931	920,263
	26,410,212	39,754,570

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the country.

The Group's most significant amount receivable is from a bank which amounts to Rs 2,000,000 thousand (2014: Rs 6,000,000 thousand). This is included in total carrying amount of investments as at reporting date.

Trade debts are secured against letter of guarantee. The 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 2015	Impairment 2015	Gross 2014	Impairment 2014
	(Rupees '000)			
Not yet due	1,587,907	–	752,693	–
Past due 1-30 days	546,533	–	1,415,651	–
Past due 31-60 days	64,136	–	52,919	–
Past due 61-90 days	–	–	–	–
Over 90 days	1,758	1,758	1,758	1,758
	2,200,334	1,758	2,223,021	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 companies reputation. The Group companies use different methods which assists them in monitoring cash flow requirements and optimizing 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:

2015	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	30,654,054	36,335,044	3,180,760	4,329,549	14,027,733	14,797,001	–
Trade and other payables	6,035,825	59,627,714	59,278,004	349,711	–	–	–
Short term borrowings including mark-up	18,192,403	18,342,155	18,342,155	–	–	–	–
	54,882,282	114,304,913	80,800,919	4,679,260	14,027,733	14,797,001	–

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	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	–

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:

	2015		2014	
	(Rupees '000)	(US Dollar '000)	(Rupees '000)	(US Dollar '000)
Bank balance	1,965	19	2,919	29
Investments (Term Deposit Receipts)	1,396,193	13,348	1,309,818	13,046

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2015	2014	2015	2014
US Dollars	101.90	100.19	104.60	100.40

Sensitivity analysis

A 10% strengthening of the functional currency against USD at December 31 would have decreased profit and loss by Rs 139,812 thousand (2014: Rs 88,017 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, short term deposits with banks. At the balance sheet date the interest rate risk profile of the Group companies interest bearing financial instruments is:

	Carrying Amount	
	2015	2014
	(Rupees '000)	
Fixed rate instruments		
Financial assets	21,321,311	36,050,888
Financial liabilities	–	–
Variable rate instruments		
Financial assets	619,303	99,500
Financial liabilities	48,568,618	26,065,777

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 2014.

	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2015		
Cash flow sensitivity - Variable rate instruments	(397,882)	397,882
December 31, 2014		
Cash flow sensitivity - Variable rate instruments	(174,620)	174,620

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 58,612 thousand after tax (2014: Rs 48,761 thousand); an equal change in the opposite direction would have decreased equity after tax by the same amount. For investments classified as at fair value through profit or loss, the impact on profit or loss would have been an increase or decrease by Rs 1,760 thousand after tax (2014: Rs 4,459 thousand). The analysis is performed on the same basis for 2014 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, 2015		December 31, 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
	Note	(Rupees '000)			
Assets carried at amortized cost					
Trade debts - net of provision	22	2,198,576	2,198,576	2,221,263	2,221,263
Loans and advances	18 and 23	1,160,922	1,160,922	1,192,551	1,192,551
Deposits	19 and 24	13,680	13,680	16,392	16,392
Other receivables	25	2,421,423	2,421,423	636,904	636,904
Short term investments	26	10,488,192	10,488,192	26,709,818	26,709,818
Cash and bank balances	27	3,409,135	3,409,135	2,050,602	2,050,602
		19,691,928	19,691,928	32,827,530	32,827,530
Assets carried at fair value					
Long term investments	17	7,928,960	7,928,960	7,334,005	7,334,005
Short term investments	26	699,528	699,528	723,019	723,019
		8,628,488	8,628,488	8,057,024	8,057,024
Liabilities carried at amortized cost					
Long term borrowings	8	30,782,243	30,782,243	14,553,310	14,553,310
Trade and other payables	10	6,035,825	6,035,825	29,374,814	29,374,814
Liability against assets subject to finance lease		5,459	5,459	3,131	3,131
Short term borrowings	13	18,194,443	18,194,443	11,625,227	11,625,227
		55,017,970	55,017,970	55,556,482	55,556,482

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 majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

Fair value hierarchy

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

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

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

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

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

	Level 1	Level 2 (Rupees '000)	Level 3
December 31, 2015			
Assets carried at fair value			
Available for sale investments	99,917	8,345,168	–
Investments fair value through profit or loss	183,403	–	–
	283,320	8,345,168	–
December 31, 2014			
Assets carried at fair value			
Available for sale investments	99,500	7,292,066	–
Investments fair value through profit or loss	665,458	–	–
	764,958	7,292,066	–

The carrying value of financial assets and liabilities reflected in financial statements approximate their respective fair values. Fair values of financial assets and liabilities carried at amortized cost (note 39.7) have been determined for disclosure purposes only and have been categorised in level 2 of fair value hierarchy.

39.8 Determination of fair values

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

Investment at fair value through profit and loss

The fair value of investment at fair value through profit and loss is determined by reference to their quoted closing repurchase price at the reporting date.

Available for sale investments

The fair value of available for sale investment is determined by reference to their quoted closing repurchase price at the reporting date and where applicable it is estimated as the present value of future cash flows, discounted at current PKRV rates applicable to similar instruments having similar maturities.

Investment in associates and subsidiaries

The fair value of investment in listed associates is determined by reference to their quoted closing bid price at the reporting date and accordingly are at level 1 in fair value hierarchy. 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 companies approach to capital management during the year and the Group companies are not subject to externally imposed capital requirements.

40. OPERATING SEGMENTS

Basis of segmentation

The group has the following four (4) strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Fertlizers	Buying, maufacturing and distributing fertilizer
Power	Producing and selling power
Food	Processing fresh and frozen fruits, vegetables, frozen cooked and semi cooked food

The group chief executive officer and Board of Directors review the internal management reports of each division quarterly.

Information about reportable segments

Information related to each reportable segment is set below. Segment profit / (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segment relative to other entities that operate in same industries.

2015	Fertlizers	Power	Food	Banking operations	Total
	Reportable Segments				
	(Rupees '000)				
Segment revenues	84,831,024	2,509,234	–	–	87,340,258
Segment profit / (loss) before tax	24,502,869	601,975	(83,751)	–	25,021,093
Interest income	1,710,227	62,833	5,006	–	1,778,066
Finance cost	1,474,801	1,066,834	172	–	2,541,807
Depreciation	1,970,073	610,669	10,420	–	2,591,162
Share of profit / (loss) of equity - accounted investees	5,351,860	–	–	–	5,351,860
Segment assets (total)	58,735,034	12,348,100	3,824,093	–	74,907,227
Equity accounted investees	38,773,066	–	–	–	38,773,066
Capital expenditure - net of transfer from CWIP	2,976,199	3,281	3,079,952	–	6,059,432
Segment liabilities (total)	52,780,202	8,124,399	2,636,566	–	63,541,167
Long term loans	15,892,599	8,460,685	2,819,566	–	27,172,850
Short term borrowings	22,530,441	–	–	–	22,530,441
Operating profit from discontinued operations	–	–	–	–	–
Material non-cash items	–	–	–	–	–

2014	Fertlizers	Power	Food	Banking operations	Total
	Reportable Segments				
	(Rupees '000)				
Segment revenues	81,240,187	2,762,536	–	–	84,002,723
Segment profit / (loss) before tax	26,240,760	601,975	(143,213)	–	26,699,522
Interest income	1,651,851	5,916	9,332	–	1,667,099
Finance cost	848,940	1,300,232	89	–	2,149,261
Depreciation	1,790,621	612,231	4,161	–	2,407,013
Segment assets (total)	65,568,990	13,462,952	1,968,273	–	81,000,215
Equity accounted investees	34,453,126	–	–	–	34,453,126
Capital expenditure - net of transfer from CWIP	3,008,501	617	33,849	–	3,042,967
Segment liabilities (total)	60,931,669	9,626,444	1,264,700	–	71,822,813
Long term loans	15,892,599	7,689,275	1,216,927	–	24,798,801
Short term borrowings	11,602,443	–	–	–	11,602,443
Operating profit from discontinued operations	15,318,317	–	–	1,941,427	17,259,744
Material non-cash items	12,185,361	–	–	1,397,659	13,583,020

Reconciliation of information on reportable segments to applicable financial reporting standards

		2015	2014
		(Rupees '000)	
i	**Revenue for reportable segments**	87,340,258	84,002,723
	Consolidated Revenue	87,340,258	84,002,723
ii	**Profit before tax for reportable segments**	25,021,093	26,699,522
	Elimination of intra segment profit	(2,719,587)	(1,243,946)
	Consolidated profit before tax from continuing operations	22,301,506	25,455,576
iii	**Total assets for reporting segments**	74,907,227	81,000,215
	Equity accounted investments	38,773,066	34,453,126
	Consolidated total assets	113,680,293	115,453,341
iv	**Total liabilities for reporting segments**	63,541,167	71,822,813
	Deferred tax on equity accounted investments	706,347	–
	Consolidated total liabilities	64,247,514	71,822,813

v **2015**

	Reportable segments total	Adjustments	Consolidated total
		(Rupees '000)	
Other material items			
Interest income	1,778,066	–	1,778,066
Finance cost	2,541,807	(56,625)	2,485,182
Capital expenditure (CWIP)	3,047,910	–	3,047,910
Depreciation	2,591,162	–	2,591,162
Commitments	1,985,887	33,149	2,019,036
Contingencies	65,706	97,409,821	97,475,527

2014

	Reportable segments total	Adjustments	Consolidated total
		(Rupees '000)	
Interest income	1,667,099	–	1,667,099
Finance cost	2,149,261	–	2,149,261
Capital expenditure (CWIP)	4,262,883	–	4,262,883
Depreciation	2,407,013	1,064,735	3,471,748
Commitments	6,622,903	(416,749)	6,206,154
Contingencies	157,816	80,654,177	80,811,993

41. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2014: 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.

	2015	2014
	(Rupees '000)	
Transactions with associated undertaking / companies due to common directorship		
Long term investment	853,000	285,269
Sale of fertilizer	4,846	2,162
Dividend paid	6,736,998	8,508,840
Purchase of gas as feed and fuel stock	33,698,069	30,476,475
Expenses charged on account of marketing of fertilizer	916,738	326,791
Commission on sale of products	20,761	7,281
Donations	50,341	95,371
Payment under consignment account	59,455,977	25,125,468
Services received	11,841	371,989
Balance payable	3,329,533	26,119,281
Balance receivable	597,189	3,275,428
Transactions with joint venture company		
Raw material purchased	–	17,325,157
Expenses incurred on behalf of joint venture company	–	13,142
Balance receivable	–	8,353
Other related parties		
Payments to:		
Employees' Provident Fund Trust	376,056	363,367
Employees' Gratuity Fund Trust	74,893	639,734
Employees' Pension Fund Trust	459,371	94,067
Dividends	63,462	110,314
Others:		
Balance (payable to) / receivable from Employee's Fund Trusts	(133,690)	28,090
Balance receivable from Employee's Fund Trusts	268,136	59,019

42. POST BALANCE SHEET EVENT

The Board of Directors of FFC in its meeting held on January 27, 2016 has proposed a final dividend of Rs 3.42 per share.

		2015	2014
		(Tonnes '000)	
43.	**GENERAL**		
43.1	**Production capacity**		
	FFC		
	Design capacity	2,048	2,048
	Production during the year	2,470	2,403

	2015	2014
	(Megawatt hours)	
FFCEL		
Actual capacity	143,559	143,559
Actual energy delivered	131,991	142,371

FFFL

The production capacity of the Company's plant cannot be determined, as it is a multi-product production facility of which the processing capacity substantially vary depending on the fruits / vegetables processed.

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 9,560,000 thousand (2014: Rs 100,000 thousand and Rs 11,230,000 thousand) respectively are available to the Company against lien on shipping / title documents and charge on assets of the Company.

43.3 Donations

Cost of Sales and Distribution Cost includes donations amounting to Rs 110,878 thousand (2014: Rs 137,992 thousand) and Rs 56,876 thousand (2014: Rs 50,026 thousand) respectively. These include Rs 50,341 thousand (2014: Rs 95,371 thousand), paid to Sona Welfare Foundation, Sona Tower, 156, The Mall, Rawalpindi (associated undertaking). Interest of Lt Gen Shafqaat Ahmed, HI (M) (Retd) in Sona Welfare Foundation is limited to the extent of his involvement in Sona Welfare Foundation as Chairman.

43.4 EXEMPTION FROM APPLICABILITY OF IFRIC 4 – "DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE"

International Accounting Standards Board (IASB) has issued International Financial Reporting Interpretation Committee (IFRIC) 4 – "Determining whether an Arrangement contains a Lease", which became effective for financial periods beginning on or after 1 January 2006. Under IFRIC 4 , the consideration required to be made by lessee for the right to use the asset is accounted for as finance lease under IAS 17 – "Leases". FFCEL's plant's control due to purchase of total output by NTDC appears to fall under the scope of IFRIC 4.

On 16 January 2012, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of IFRIC 4 – for companies in Pakistan. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC 4. Had this interpretation been applied the effects on the results and equity of FFCEL would have been as follows:

	2015 (Rupees '000)
Increase in unappropriated profit at beginning of the year	160,941
Increase in profit for the year	134,361
Increase in unappropriated profit at end of the year	295,302

		2015	2014
43.5	**Number of employees**		
	Total number of employees at end of the year	3,605	2,412
	Average number of employees for the year	3,451	2,402

43.6 Rounding off

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

43.7 These consolidated Financial Statements have been authorized for issue by the Board of Directors of FFC on January 27, 2016.

Chairman **Chief Executive** **Director**

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2015

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1559	1	100	93283	0.0073
2958	101	500	1023721	0.0805
2124	501	1000	1844463	0.1450
5230	1001	5000	14100180	1.1083
1668	5001	10000	12830960	1.0085
776	10001	15000	9819000	0.7718
487	15001	20000	8737373	0.6868
322	20001	25000	7365769	0.5790
283	25001	30000	7860206	0.6178
177	30001	35000	5811152	0.4568
153	35001	40000	5815790	0.4571
109	40001	45000	4676260	0.3676
175	45001	50000	8565313	0.6732
93	50001	55000	4894102	0.3847
76	55001	60000	4423932	0.3477
43	60001	65000	2694957	0.2118
49	65001	70000	3341424	0.2626
65	70001	75000	4789391	0.3765
41	75001	80000	3198960	0.2514
38	80001	85000	3145917	0.2473
33	85001	90000	2913830	0.2290
27	90001	95000	2502429	0.1967
85	95001	100000	8422568	0.6620
29	100001	105000	2963268	0.2329
16	105001	110000	1721092	0.1353
16	110001	115000	1799538	0.1414
15	115001	120000	1775872	0.1396
21	120001	125000	2586452	0.2033
18	125001	130000	2309255	0.1815
15	130001	135000	1999529	0.1572
13	135001	140000	1792252	0.1409
12	140001	145000	1718806	0.1351
19	145001	150000	2835789	0.2229
16	150001	155000	2445971	0.1923
15	155001	160000	2375499	0.1867
11	160001	165000	1793269	0.1410
5	165001	170000	839772	0.0660
5	170001	175000	863892	0.0679
8	175001	180000	1419710	0.1116
5	180001	185000	922716	0.0725

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2015

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
7	185001	190000	1314950	0.1034
4	190001	195000	767864	0.0604
30	195001	200000	5971125	0.4693
5	200001	205000	1007271	0.0792
3	205001	210000	628364	0.0494
7	210001	215000	1483690	0.1166
4	215001	220000	876885	0.0689
6	220001	225000	1333463	0.1048
5	225001	230000	1144917	0.0900
3	230001	235000	695060	0.0546
6	235001	240000	1431131	0.1125
7	240001	245000	1693480	0.1331
10	245001	250000	2486507	0.1954
3	250001	255000	756189	0.0594
5	255001	260000	1287087	0.1012
8	260001	265000	2102264	0.1652
5	265001	270000	1346800	0.1059
4	270001	275000	1095845	0.0861
5	280001	285000	1417751	0.1114
3	285001	290000	862318	0.0678
2	290001	295000	581380	0.0457
20	295001	300000	5990315	0.4708
6	300001	305000	1824699	0.1434
3	305001	310000	927808	0.0729
2	310001	315000	623324	0.0490
1	315001	320000	316000	0.0248
4	320001	325000	1291557	0.1015
2	325001	330000	655674	0.0515
3	330001	335000	996703	0.0783
4	345001	350000	1395891	0.1097
2	350001	355000	707961	0.0556
3	355001	360000	1073096	0.0843
1	360001	365000	365000	0.0287
1	365001	370000	370000	0.0291
3	370001	375000	1118159	0.0879
2	375001	380000	755000	0.0593
3	385001	390000	1167240	0.0917
2	390001	395000	784645	0.0617
5	395001	400000	1993100	0.1567
2	400001	405000	805875	0.0633

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2015

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	405001	410000	410000	0.0322
1	410001	415000	414100	0.0325
1	415001	420000	420000	0.0330
1	420001	425000	422000	0.0332
1	430001	435000	433198	0.0340
1	435001	440000	437927	0.0344
1	445001	450000	446397	0.0351
1	455001	460000	455690	0.0358
1	460001	465000	463300	0.0364
1	465001	470000	466900	0.0367
1	470001	475000	473250	0.0372
3	475001	480000	1430533	0.1124
1	480001	485000	480724	0.0378
2	485001	490000	977658	0.0768
2	490001	495000	986630	0.0776
2	495001	500000	1000000	0.0786
2	510001	515000	1026070	0.0807
1	530001	535000	530600	0.0417
2	545001	550000	1100000	0.0865
2	555001	560000	1112415	0.0874
2	570001	575000	1145745	0.0901
1	575001	580000	576067	0.0453
1	585001	590000	589593	0.0463
4	595001	600000	2400000	0.1886
1	605001	610000	608130	0.0478
1	620001	625000	623000	0.0490
1	630001	635000	630312	0.0495
1	635001	640000	640000	0.0503
1	645001	650000	649485	0.0511
1	650001	655000	652663	0.0513
1	655001	660000	656500	0.0516
1	660001	665000	662200	0.0520
1	665001	670000	665257	0.0523
1	670001	675000	673192	0.0529
3	680001	685000	2044743	0.1607
1	685001	690000	689700	0.0542
3	695001	700000	2100000	0.1651
1	705001	710000	706500	0.0555
3	710001	715000	2139901	0.1682
1	715001	720000	715500	0.0562

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2015

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
2	725001	730000	1458092	0.1146
2	745001	750000	1499801	0.1179
1	750001	755000	750646	0.0590
1	760001	765000	762717	0.0600
1	780001	785000	783500	0.0616
1	795001	800000	800000	0.0629
1	800001	805000	800800	0.0629
1	810001	815000	811000	0.0637
2	825001	830000	1650864	0.1298
2	845001	850000	1696060	0.1333
1	890001	895000	894349	0.0703
3	895001	900000	2697704	0.2120
2	900001	905000	1807583	0.1421
2	915001	920000	1836357	0.1443
1	935001	940000	940000	0.0739
1	985001	990000	987500	0.0776
2	995001	1000000	2000000	0.1572
1	1015001	1020000	1019337	0.0801
1	1020001	1025000	1020730	0.0802
1	1055001	1060000 1	059599	0.0833
1	1075001	1080000	1075279	0.0845
2	1090001	1095000	2183875	0.1717
1	1110001	1115000	1111039	0.0873
2	1155001	1160000	2317732	0.1822
1	1165001	1170000	1165210	0.0916
1	1190001	1195000	1193942	0.0938
1	1195001	1200000	1200000	0.0943
1	1200001	1205000	1204200	0.0947
1	1205001	1210000	1205968	0.0948
1	1210001	1215000	1214414	0.0955
1	1220001	1225000	1221000	0.0960
1	1245001	1250000	1250000	0.0983
1	1270001	1275000	1270800	0.0999
1	1275001	1280000	1275700	0.1003
2	1395001	1400000	2796310	0.2198
1	1400001	1405000	1402700	0.1103
1	1435001	1440000	1440000	0.1132
1	1445001	1450000	1449630	0.1139
1	1465001	1470000	1467174	0.1153
1	1470001	1475000	1473790	0.1158

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2015

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	1515001	1520000	1519407	0.1194
1	1520001	1525000	1525000	0.1199
1	1550001	1555000	1550124	0.1218
2	1555001	1560000	3114500	0.2448
1	1615001	1620000	1615941	0.1270
1	1640001	1645000	1642200	0.1291
1	1660001	1665000	1661643	0.1306
1	1690001	1695000	1692500	0.1330
1	1710001	1715000	1713800	0.1347
1	1730001	1735000	1733796	0.1363
1	1755001	1760000	1757209	0.1381
1	1760001	1765000	1764030	0.1387
1	1780001	1785000	1784878	0.1403
1	1790001	1795000	1792000	0.1409
1	1835001	1840000	1839200	0.1446
1	1925001	1930000	1928059	0.1515
1	1940001	1945000	1942800	0.1527
1	1970001	1975000	1974929	0.1552
1	1995001	2000000	2000000	0.1572
1	2020001	2025000	2025000	0.1592
1	2070001	2075000	2070200	0.1627
1	2110001	2115000	2114015	0.1662
1	2185001	2190000	2186501	0.1719
2	2195001	2200000	4400000	0.3458
1	2255001	2260000	2255859	0.1773
1	2265001	2270000	2269158	0.1784
1	2365001	2370000	2368000	0.1861
1	2580001	2585000	2583000	0.2030
2	2595001	2600000	5200000	0.4087
1	2615001	2620000	2618887	0.2058
1	2660001	2665000	2661496	0.2092
1	3225001	3230000	3227700	0.2537
1	3280001	3285000	3284800	0.2582
1	3405001	3410000	3410000	0.2680
1	3445001	3450000	3445600	0.2708
1	3485001	3490000	3488779	0.2742
1	3805001	3810000	3808350	0.2993
1	4290001	4295000	4292679	0.3374
1	4395001	4400000	4400000	0.3458
1	4465001	4470000	4466749	0.3511

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2015

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	4755001	4760000	4757400	0.3739
1	5040001	5045000	5040099	0.3962
1	5355001	5360000	5360000	0.4213
1	8190001	8195000	8194200	0.6441
1	8660001	8665000	8664140	0.6810
1	8945001	8950000	8945913	0.7032
1	9200001	9205000	9203500	0.7234
1	10325001	10330000	10327100	0.8117
1	10520001	10525000	10522770	0.8271
1	10570001	10575000	10572163	0.8310
1	11305001	11310000	11306212	0.8887
1	12190001	12195000	12193749	0.9584
1	15480001	15485000	15481600	1.2169
1	17745001	17750000	17750000	1.3952
1	23185001	23190000	23186636	1.8225
1	27645001	27650000	27645655	2.1730
1	116020001	116025000	116022735	9.1196
1	129515001	129520000	129516412	10.1802
1	434685001	434690000	434687842	34.1672
17183	Company Total		1272238247	100.0000

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2015

Serial No.	Categories of Shareholders	No of Shareholders	No of Shares held	Percentage %
1	NIT & ICP	2	27,645,905	2.17
2	Banks, DFIs & NBFIs	33	75,718,127	5.95
3	Insurance Companies	19	143,405,086	11.27
4	Modarabas & Mutuals Funds	52	10,606,823	0.83
5	Foreign Investors	85	107,518,637	8.45
6	Chariatable Trust & Others	160	588,933,623	46.29
7	Others	225	26,277,692	2.07
8	Individuals	16,607	292,132,354	22.97
	Total Shares	17,183	1,272,238,247	100.00

	No of Shares
NIT & ICP	
National Investment Trust	27,645,655
Investment Corporation of Pakistan	250
Executives	1,200,528
Directors	1,000,200
Public Sector Companies and Corporations	13,986,012
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Mutual Funds	229,730,036
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, 2016
1st Quarter ending March 31, 2016	Last Week of April, 2016
2nd Quarter ending June 30, 2016	Last Week of July, 2016
3rd Quarter ending September 30, 2016	Last Week of October, 2016
Year ending December 31, 2016	Last Week of January, 2017

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

AFA	Arab Fertilizer Association
AGM	Annual General Meeting
AKBL	Askari Bank Limited
ASP	Autism Society of Pakistan
BCP	Business Continuity Planning
BHU	Basic Health Unit
BI&T	Banking, Industries and Trading
BOD	Board of Directors
BTU	British Thermal Unit
CAGR	Compound Annual Growth Rate
CBA	Collective Bargaining Agreement
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
CIMA	Chartered Institute of Management Accountants
CPIs	Critical Performance Indicators
CSR	Corporate Social Responsibility
DAP	Di Ammonium Phosphate
DBN	De-Bottle Necking
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 Limited
FFCEL	FFC Energy Limited
FFF	Fauji Fresh n Freeze Limited
FMPAC	Fertilizer Manufacturers of Pakistan Advisory Council
FOB	Free on Board
GDP	Gross Domestic Product
GHQ	General Headquarter
GIDC	Gas Infrastructure Development Cess
GOP	Government of Pakistan
GRI	Global Reporting Initiative
GST	General Sales Tax
GWh	Giga Watt hour
HI (M)	Hilal-e-Imtiaz (Military)
ICAP	Institute of Chartered Accountants Pakistan

ICMAP	Institute of Chartered Management Accountants Pakistan
IDG	International Data Group
IFA	International Fertilizer Industry Association
IMF	International Monetary Fund
IMS	Integrated Management System
IQF	Individually Quick Freeze
ISLA	Information Security Leadership Achievements
ISO	International Organization for Standardization
IT	Information Technology
KIBOR	Karachi Inter Bank Offer Rate
KSE	Karachi Stock Exchange
KW	Kilo Watt
LUMS	Lahore University of Management Sciences
MAP	Management Association of Pakistan
MMBTU	Million British Thermal Units
MMSCFD	Million Standard Cubic Feet per Day
MOIPI	Maintenance of Industrial Peace Incentives
MW	Mega Watt
NFDC	National Fertilizer Development Centre
NFEH	National Forum of Environment and Health
NGO	Non-Governmental Organization
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
PCP	Pakistan Center for Philanthropy

PICG	Pakistan Institute of Corporate Governance
PIDC	Pakistan Industrial Development Centre
PIDE	Pakistan Institute of Development Economics
PITAC	Pakistan Industrial Technical Assistance Centre
PLC	Programmable Logical Control
PMP	Pakistan Maroc Phosphore S.A.
PSFL	Pak Saudi Fertilizers Limited
PSQCA	Pakistan Standards & Quality Control Authority
PSX	Pakistan Stock Exchange
R&D	Research & Development
RCCI	Rawalpindi Chamber of Commerce & Industry
ROE	Return On Equity
SAFA	South Asian Federation of Accountants
SAN	Storage Area Network
SAP	Systems, Applications and Products
SECP	Securities and Exchange Commission of Pakistan
SI (M)	Sitara-e-Imtiaz (Military)
SOP	Sulfate of Potash
SWF	Sona Welfare Foundation
SWOT	Strength, Weakness, Opportunity, Threat
TMF	Tameer-e-Millat Foundation
TPDC	Tanzania Petroleum Development Corporation
UNGC	United Nations Global Compact
USC	Utility Stores Corporation
VHT	Vapor Heat Treatment
WWF	Workers' Welfare Fund / World Wide Fund for Nature

Form of Proxy
38th 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 38th Annual General Meeting of the Company to be held on Thursday March 17, 2016 and /or any adjournment thereof.

As witness my / our hand / seal this __________ day of __________ March 2016.

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 Cantt, 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 along with 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

فوجی فرٹیلائزر کمپنی لمیٹڈ

پراکسی فارم

38واں سالانہ عمومی اجلاس

میں/ہم۔۔کا/کے بحیثیت ممبر(ز) فوجی فرٹیلائزر کمپنی لمیٹڈ اور حامل عام حصص محترم/محترمہ۔۔۔۔۔۔۔۔۔۔ یا ان کے حاضر نہ ہوسکنے کی صورت میں۔۔۔۔۔۔۔۔۔۔کو اپنے/ہمارے ایماء پر کمپنی کے 17 مارچ 2016 جمعرات کو ہونے والے 38واں سالانہ عمومی اجلاس میں شرکت کرنے، حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور نمائندہ (پراکسی) مقرر کرتا/کرتے ہیں۔

بطور گواہ آج بتاریخ۔۔۔۔۔۔۔۔۔۔۔۔۔مارچ 2016 میرے/ہمارے دستخط ہوئے

دستخط۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر

پانچ روپے کے رسیدی ٹکٹ پر دستخط

اس دستخط کا کمپنی کے ساتھ رجسٹرڈ دستخط کے نمونے سے مشابہت ہونا لازمی ہے

اہم نکات:

1۔ ہر لحاظ سے مکمل اور دستخط شدہ یہ فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس 156 دی مال راولپنڈی میں موصول ہو جانا چاہیے۔

2۔ اگر کوئی ممبر ایک سے زائد پراکسی نامزد کرتا ہے اور ایک سے زیادہ انسٹرومنٹس آف پراکسی جمع کراتا ہے تو اس صورت میں تمام انسٹرومنٹ آف پراکسی کالعدم قرار دیئے جائیں گے۔

3۔ **سی ڈی سی اکاؤنٹ رکھنے والے/کارپوریٹ ادارے**

مزید برآں درج ذیل شرائط کو پورا کیا جائے گا۔

(i) پراکسی فارم کے ہمراہ مالکان کے شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقول بھی دی جائیں۔

(ii) پراکسی کو اپنا اصل شناختی کارڈ یا پاسپورٹ میٹنگ کے وقت دکھانا ہوگا۔

(iii) کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع دستخط کے نمونے (اگر پہلے جمع نہ کرایا ہو) کمپنی میں پراکسی فارم کے ساتھ جمع کرانی ہوگی۔

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

INVESTORS' EDUCATION

In pursuance of SRO 924(1)/2015 dated September 9th, 2015 issued by the Securities and Exchange Commission of Pakistan (SECP), the following informational message has been reproduced to educate investors:

www.ffc.com.pk

FAUJI FERTILIZER COMPANY LIMITED
Head Office : 156 - The Mall, Rawalpindi Cantt, Pakistan. UAN 92 - 51 - 111 332 111