Key Performance Indicators

		2012	2011
Sales Revenue	Rs in million	74,323	55,221
Return on Equity	Percentage	79.86	97.49
Earnings per share - restated	Rupees	16.38	17.68
Debt to Equity	Times	13:87	10:90
Shareholders' Equity	Rs in million	26,096	23,070
Assets Turnover	Times	1.22	0.99
Current Ratio	Times	1.15	1.07
Market Capitalization	Rs in million	149,002	126,810

Contents

Vision & Mission Statement

Vision

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

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

Mission

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

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

Corporate Strategy

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

Policy Statement of Ethics & Business Practices

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

Code of Conduct

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

Core Values

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

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

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

Company Information

Board of Directors

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

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

Mr Qaiser Javed
Dr Nadeem Inayat
Mr Shahid Aziz Siddiqi
Mr Jorgen Madsen
Maj Gen Zahid Parvez, HI(M) (Retired)
Mr Wazir Ali Khoja
Mr Agha Nadeem
Brig Dr Gulfam Alam, SI(M) (Retired)
Engr Rukhsana Zuberi
Mr Farhad Shaikh Mohammad
Brig Parvez Sarwar Khan, SI(M) (Retired)

Chief Financial Officer

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

Company Secretary

Brig Sher Shah, SI(M) (Retired)
Tel: 92-51-8453101
Fax: 92-51-8459931, 8458831
E-mail: secretary@ffc.com.pk

Registered Office

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

Plantsites

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

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

Marketing Division

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

Karachi Office

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

Auditors

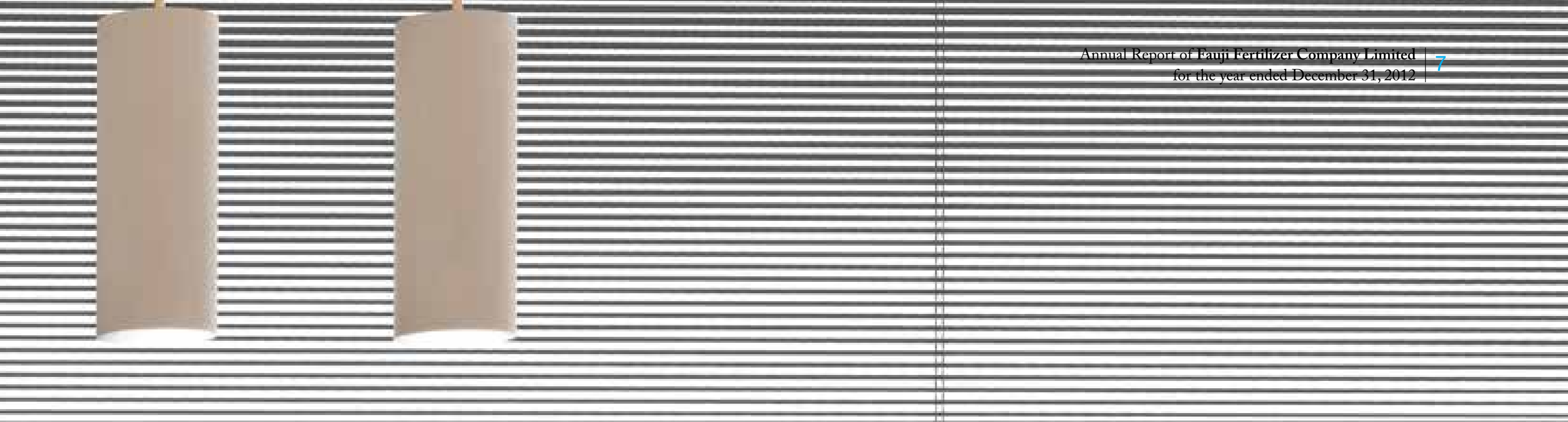
M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Shares Registrar

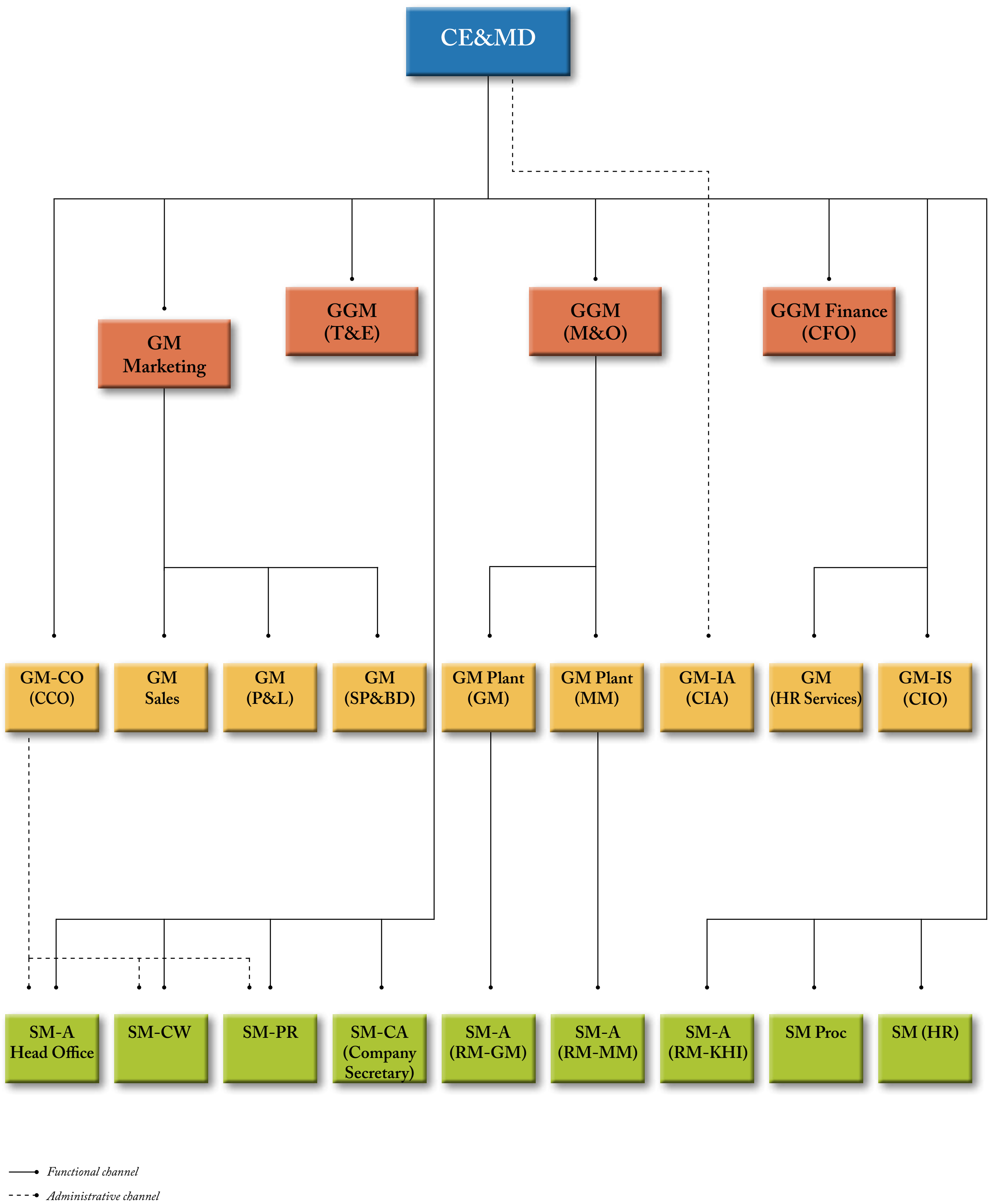
THK Associates (Pvt) Limited
Ground Floor, State Life Building – 3
Dr. Ziauddin Ahmed Road
Karachi – 75530
Tel: 92-21-111-000-322
Fax: 92-21-35655595

Bankers

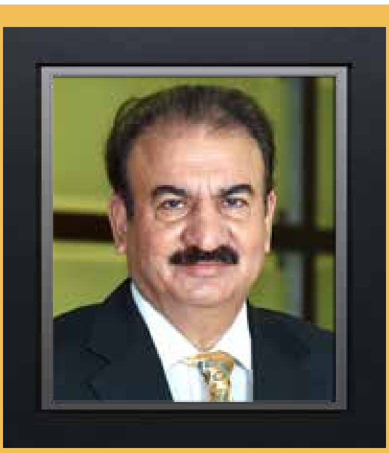
Al Baraka Bank (Pakistan) Limited
Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Bank Islami Pakistan Limited
Barclays Bank PLC, Pakistan
Burj Bank Limited
Deutsche Bank AG
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank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



Organogram


CE&MD
GM Marketing
GGM (T&E)
GGM (M&O)
GGM Finance (CFO)
GM-CO (CCO)
GM Sales
GM (P&L)
GM (SP&BD)
GM Plant (GM)
GM Plant (MM)
GM-IA (CIA)
GM (HR Services)
GM-IS (CIO)
SM-A Head Office
SM-CW
SM-PR
SM-CA (Company Secretary)
SM-A (RM-GM)
SM-A (RM-MM)
SM-A (RM-KHI)
SM Proc
SM (HR)
Functional channel
Administrative channel

Profile of the Board



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

Joined the Board on January 02, 2012.

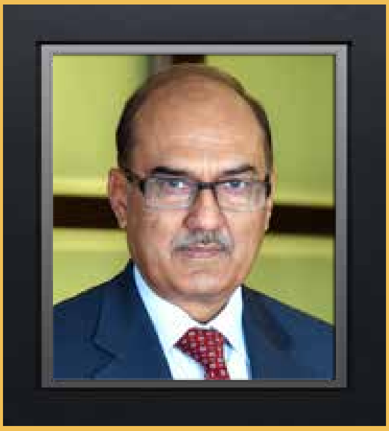
He is the Managing Director of Fauji Foundation and Fauji Oil Terminal and Distribution Company Limited and Chairman on the Boards of various Fauji Group companies including:

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

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

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

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



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

Joined the Board on March 26, 2012.

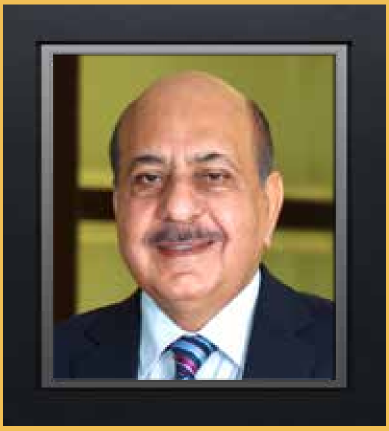
He is the Chairman of Sona Welfare Foundation and holds Directorship on the Boards of:

- Fauji Fertilizer Bin Qasim Limited,
- Pakistan Maroc Phosphore S.A, and
- FFC Energy Limited.

He is also a member of the Board of Governors of the Foundation University, Islamabad.

During his illustrious career with the military spanning over 38 years, he held various key planning, operational and instructional positions including the appointment as Secretary Defense of Pakistan and Commander of Division and Corps at Bahawalpur.

He completed his MSc (Strategic Studies) and Masters in International Affairs degrees after Graduation in Civil Engineering. Moreover, he attended financial management program at the Columbia University USA and Executive program at Pakistan Institute of Management.



Mr Qaiser Javed
(Director)

Joined the Board on October 15, 1999.

He is a fellow member of The Institute of Chartered Accountants of Pakistan and The Institute of Taxation Management of Pakistan.

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

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

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

Dr Nadeem Inayat
(Director)

Joined the Board on May 27, 2004.

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

He is on the Boards of following entities:

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

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

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

Mr Shahid Aziz Siddiqi
(Director)

Joined the Board on August 08, 2008.

He is presently the Chairman of State Life Insurance Corporation of Pakistan and Alpha Insurance Company Limited. He also holds Directorship in the following companies:

- Packages Limited,
- Thatta Cement Company Limited,
- International Industries Limited,
- Sui Southern Gas Company Limited,
- ORIX Leasing Pakistan Limited,
- National Bank of Pakistan,
- The Hub Power Company Limited,
- Sui Northern Gas Pipelines Limited, and
- Pakistan Cables Limited.

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

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

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

Mr Jorgen Madsen
(Director)

Joined the Board on September 16, 2009.

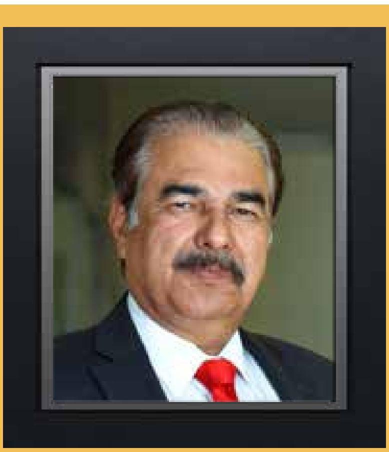
He has an engineering degree in chemical engineering from the Technical University of Denmark and has been employed with Haldor Topsoe, Denmark since 1973. He has worked primarily with Topsoe Ammonia Technologies, engaged in design and supervising, construction, commissioning and start-ups of ammonia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

During his career at Haldor Topsoe, he has been engaged as Process Engineer, Project Manager and Manager of the Ammonia Process Engineering Department. In 1995, he took the position of Manager of The Engineering Division and simultaneously became Member on the Board of Haldor Topsoe's subsidiary company in Soviet Union, later Russia.

In 2006 he became the General Manager of R&D Division and established the Technology Department, with the main responsibility of transferring new pilot scale technologies to industrial scale technologies.

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

Profile of the Board



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

Joined the Board on July 16, 2010.

He is the Director Welfare (Education) in Fauji Foundation. He also holds Directorship in Mari Petroleum Company Limited and Fauji Oil Terminal and Distribution Company Limited.

During his service in the Pakistan Army, he served on various command, staff and instructional appointments including appointment as Director General Budget, GHQ. He is a graduate of Australian Command and Staff College and National Defense University, Islamabad.

He was awarded Hilal-e-Imtiaz (Military) by the Government of Pakistan.

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

Mr Wazir Ali Khoja
(Director)

Joined the Board on July 29, 2010.

He is the Chairman / Managing Director of National Investment Trust Limited.
He also holds Directorship of the following companies:

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

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

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

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

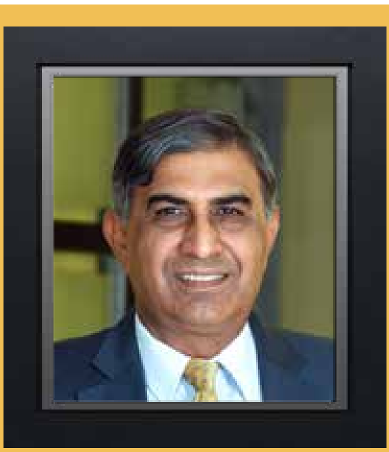
Mr Agha Nadeem
(Director)

Joined the Board on April 01, 2011.

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

He graduated from Pakistan Military Academy, after which he proceeded with getting Masters in Public Administration (MPA) Degree from University of Connectivity, USA and completed Executive Development Course from Harvard University, USA.

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



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

Joined the Board on August 17, 2011.

He is the Director (Planning and Development) in Fauji Foundation.

He also holds Directorship of the following associated companies:

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

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

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

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

Engr Rukhsana Zuberi
(Director)

Joined the Board on September 16, 2012.

She is the Chairperson of Women In Energy Pakistan and Chief Executive Officer TEC, Master Franchise of New Horizon Inc (Global Training Organization). She is also a member of the Board of Hydro-carbon Development Institute of Pakistan and Railway Estate Development & Marketing Company.

In addition to being the Chairperson of Pakistan Engineering Council, she held various prestigious positions during her political and professional career including membership of Senate of Pakistan, Board of Governors of NUST, Engineering Development Board, Pakistan Institute of Cost & Contracts, President's Task Force on Alternate Energy Options for Pakistan and Finance House Committee of Senate etc.

Her major achievements during her illustrious career include the following:

- International Recognition of Pakistan's Engineering Qualifications.
- Initiated Pakistan's first on Grid solar power systems.
- Introduced and facilitated online testing and certification programs in Pakistan, enabling Country's youth to get international qualification.
- Initiated Skills Development and Vocational Training for women.

Mr Farhad Shaikh Mohammad
(Director)

Joined the Board on September 16, 2012.

He is an energetic, vibrant and prominent rising businessman. He also holds Directorship of:

- Din Textile Mills Limited,
- Din Leather (Private) Limited, and
- Din Farm Products (Private) Limited.

His other engagements include:

- Chairman of Young Entrepreneurs & Youth Affairs
- Vice Chairman Law and Order of Korangi Association of Trade and Industry
- Justice of Peace of Karachi Jurisdiction, Government of Sindh

He did his graduation in Finance and Banking from American University in Dubai, followed by executive development course on Corporate Financial Management from LUMS. He is a Certified Board Director by Pakistan Institute of Corporate Governance / International Finance Corporation.

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

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

Profile of the Board

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

Joined the Board on January 01, 2013.

He is the Director (Industries) in Fauji Foundation.

He also holds the Directorship in following associated companies:

- Fauji Fertilizer Bin Qasim Limited,
- Fauji Cement Company Limited,
- Fauji Power Company Daharki Limited, and
- FFC Energy Limited.

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

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

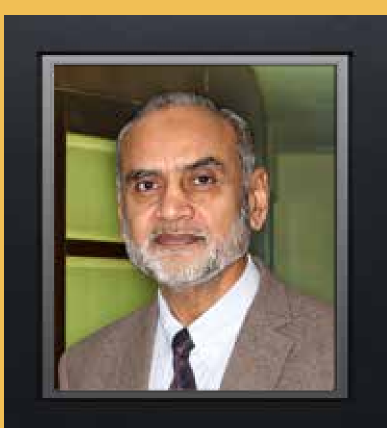
Syed Shahid Hussain
(Chief Financial Officer)

Appointed as CFO on November 03, 2008.

He is a Fellow Member of the Institute of Chartered Accountants of Pakistan and holds a B.Sc. degree from the University of Punjab.

He joined the Company in 1981 and has served in various capacities in the Finance Division before being appointed as the Chief Financial Officer of the Company in 2008. With over 30 years of experience in leadership positions, he plays an active role in the financial / strategic planning of the Company. Moreover, he is the Chief Financial Officer of FFC Energy Limited and trustee on the Board of Sona Welfare Foundation.

Prior to his appointment as CFO of the Company, he served as Company Secretary and Director Finance of an off shore joint venture project in Morocco from 2005 to 2008 where he was conferred the “Wissam Alouite” Award by H.E King Mohammed VI for his invaluable services to the project.



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

Appointed as Company Secretary on February 05, 2013

Is an alumni of National Defence University, Quaid-e-Azam University and the University of Maryland, USA. He has been an Associate Dean of the National University of Sciences & Technology. He also remained on the faculty of National Defence College / University Islamabad, teaching National Security Policy & Strategy. Has a stint as Director in the Defence Science & Technology Organization.

Holds Masters degrees in International Relations, Defence & Strategic Studies and War Studies. He has been regularly contributing research papers to publications of national and international repute.

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

Our History

1978	Incorporation of the Company.
1982	Commissioning of Plant I, Goth Machhi with annual capacity of 570 thousand tonnes.
1991	Listed with Karachi and Lahore Stock Exchanges.
1992	Through the De-Bottle Necking (DBN) program, the production capacity of Plant I was increased to 695 thousand tonnes per year.
1992	Listed with Islamabad Stock Exchange.
1993	Commissioning of Plant II, Goth Machhi with annual capacity of 635 thousand tonnes of Urea.
1993	Initial investment in Fauji Fertilizer Bin Qasim Limited, a DAP and Urea manufacturing concern which currently stands at Rs 4.75 billion representing 50.88% equity share.
1997	With achievement of Quality Management System certification in Goth Machhi, FFC became the first fertilizer plant in Pakistan to achieve this distinction.
2002	FFC acquired ex Pak Saudi Fertilizers Limited (PSFL) Urea Plant situated in Mirpur Mathelo (Plant III) with annual capacity of 574 thousand tonnes of urea which was the largest industrial sector transaction in Pakistan at that time.
2003	FFC obtained certification of Occupational Health & Safety Assessment Series, OHSAS-18001:1999.
2004	With investment in Pakistan Maroc Phosphore, Morocco S.A. of Rs 706 million, FFC has equity participation of 12.5% in PMP.
2008	Investment of Rs 1.5 billion in Fauji Cement Company Limited, currently representing 6.79% equity participation.
2008	DBN of Plant III was executed and commissioned successfully for enhancement of capacity to 125% of design i.e. 718 thousand tonnes annually.
2010	Investment in FFC Energy Limited, Pakistan's first wind power electricity generation project.
2011	SAP - ERP implemented in the Company, improving business processes by reducing time lags and duplication of work.
2012	Inauguration of new state of the art HO Building in Rawalpindi
2012	Inauguration of FFC Energy Limited

Board Committees

Audit Committee

Members

Mr Qaiser Javed
Chairman

Dr Nadeem Inayat
Member

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

Meetings held during the year

Date	Attendees
January 19, 2012	3
April 17, 2012	3
July 19, 2012	2
October 15, 2012	3
December 19, 2012	2

Terms of Reference

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

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

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

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

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

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

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

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

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

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

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

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

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

(l) Determination of compliance with relevant statutory requirements.

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

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

Human Resources & Remuneration Committee

Members

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

Dr Nadeem Inayat
Member

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

Meetings held during the year

Date	Attendees
April 17, 2012	3
July 13, 2012	3
December 06, 2012	3

Terms of Reference

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

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

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

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

(c) Consider any changes to the Company's retirement benefit plans including gratuity, pension 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 Chief Executive & Managing Director in consultation with the Company Secretary.

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

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

Board Committees

System & Technology Committee

Members

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

Dr Nadeem Inayat
Member

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

Meetings held during the year

Date	Attendees
July 13, 2012	2
December 06, 2012	2

Terms of Reference

The role of System & Technology committee is as follows:

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

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

(c) Review the recommendations of the Management:

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

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

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

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

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

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

Projects Diversification Committee

Members

Dr Nadeem Inayat
Chairman

Mr Qaiser Javed
Member

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

Date	Attendees
April 17, 2012	3
July 12, 2012	3

Terms of Reference

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

Management Committees

Executive Committee

Members

Lt Gen Naeem Khalid Lodhi,
HI(M) (Retired), CE&MD
Chairman

Syed Iqtidar Saeed, GGM-T&E
Member

Syed Shahid Hussain, CFO
Member

Mr Tahir Javed, GGM-M&O
Member

Mr Mohammad Munir Malik,
GM-MKT
Member

Mr Muhammad Shuaib, CIA
Member

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

Mr Zaheer Anwer, GM-M&O
Member

Brig Tariq Javaid
(Retired), SM-HR
Member

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

Brig Fiaz Ahmed Satti
(Retired), GM-CO
Member / Secretary

Terms of Reference

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

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

Business Strategy Committee

Members

Lt Gen Naeem Khalid Lodhi,
HI(M)(Retired), CE&MD
Chairman

Syed Iqtidar Saeed, GGM-T&E
Member

Syed Shahid Hussain, CFO
Member

Mr Mohammad Munir Malik,
GM-MKT
Member

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

Brig Fiaz Ahmed Satti
(Retired), GM-CO
Member / Secretary

Terms of Reference

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

CSR Committee

Members

Lt Gen Naeem Khalid Lodhi,
HI(M)(Retired), CE&MD
Chairman

Syed Shahid Hussain, CFO
Member

Mr Tahir Javed, GGM-M&O
Member

Mr Mohammad Munir Malik,
GM-MKT
Member

Brig Fiaz Ahmed Satti
(Retired), GM-CO
Member

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

Brig Munawar Hayat Khan Niazi
(Retired), SM-CSR
Member / Secretary

Terms of Reference

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

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

Business Model

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

Growth Drivers

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

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

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

Our Key Assets

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

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

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

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

How we leverage our assets

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

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

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

Product Portfolio

			
Products	Urea (Nitrogen)	DAP (Phosphate)	SOP (Potash)
Usage	**Fertilizer** 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, often spread just before or during rain to minimize losses from vitalization process. **Industrial** Raw material in manufacture of plastics, adhesives and industrial feedstock.	**Fertilizer** Increases the soil pH temporarily. Highly soluble and dissolves quickly in soil to release plant available phosphate and ammonium. Speeds up ripening of fruits and berries. Also applied to grain crop at the time of planting. **Industrial** It is a fire retardant and is used in commercial firefighting products. Other uses are as metal finisher, yeast nutrient, nicotine enhancer in cigarettes and sugar purifier.	**Fertilizer** Preferred in strong crops like tobacco, fruits and vegetables. Good against chloride accumulation in soil from irrigation water. **Industrial** Occasionally used in manufacture of glass.
Production Process	Produced from synthetic ammonia and carbon dioxide.	Produced from ammonia and phosphoric acid.	Produced from potassium chloride and sulfuric acid.
Molecular Formula	$CO(NH_2)_2$	$(NH_4)_2HPO_4$	K_2SO_4
Percentage of use in Pakistan	80%	19%	1%
Percentage of FFC Sales	93%	6%	1%

Corporate Objectives

Objective 1

Drive land productivity through balanced fertilizer application

Strategy:

Educate farmers regarding fertilizer usage through Farm Advisory Centers all over the Country.

Priority:

High

Status:

Ongoing process - Plans for the year achieved

Opportunities / threats:

Per acre production in our Country is lower than recorded in developed parts of the world. We are committed to change this through our continuous efforts to maximize the Country's agricultural yield.

Objective 2

Maintain Industry leadership

Strategy:

Keep ourselves abreast of latest technological advancements and upgrade our production facilities to enhance efficiency.

Priority:

High

Status:

Ongoing process - Targets for the year achieved

Opportunities / threats:

Our policy of upgrading our plants with state of the art equipment ensures that we keep pace with advancements and avoid redundancy. However, with the passage of time, upgradation and maintenance may result in high costs.

Objective 3

Expand Sales

Strategy:

Sales expansion through geographical diversification and improved farmer awareness.

Priority:

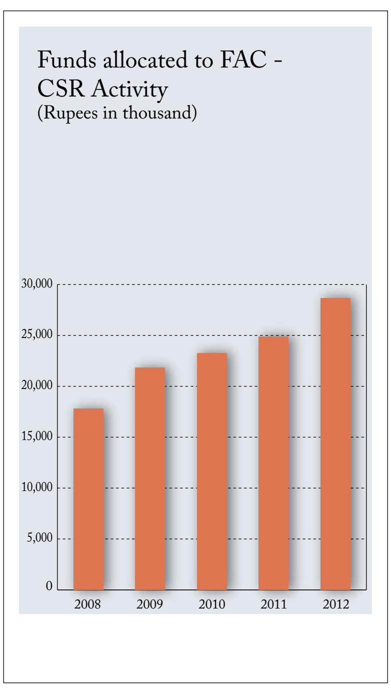
High

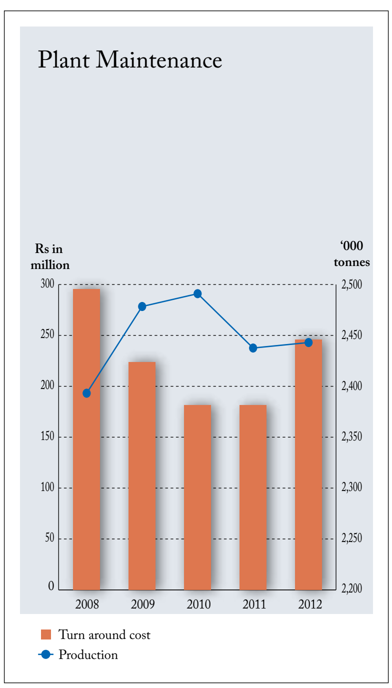
Status:

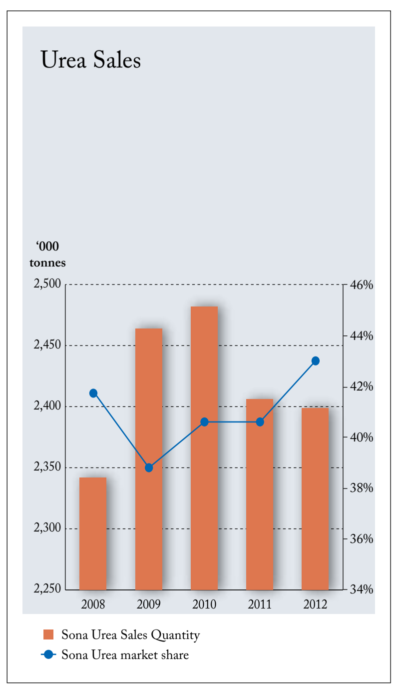
Annual targets achieved

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 raising domestic prices due to the impact of gas curtailment and imposition of GIDC, a flood of imports would hamper growth.







Objective 4

Create new businesses to augment profitability for sustained economic growth

Strategy:

Continuously seek avenues to diversify within and outside the Fertilizer Industry.

Priority:

High

Status:

An evolving process, plans for 2012 achieved

Opportunities / threats:

Foreign investment in Pakistan is low, creating a gap for local investors to tap unexplored potential in emerging markets.

Current pattern of growth might not be sustainable considering the shortage of gas. Diversification in unexplored emerging markets could minimize this risk.

Objective 5

Maintain operational efficiency to achieve synergies.

Strategy:

Keep our business processes in perfect harmony, reducing time and money losses.

Priority:

High

Status:

Ongoing process - Targets for the year achieved

Opportunities / threats:

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

Objective 6

Economize on costs by eliminating redundancies

Strategy:

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

Priority:

High

Status:

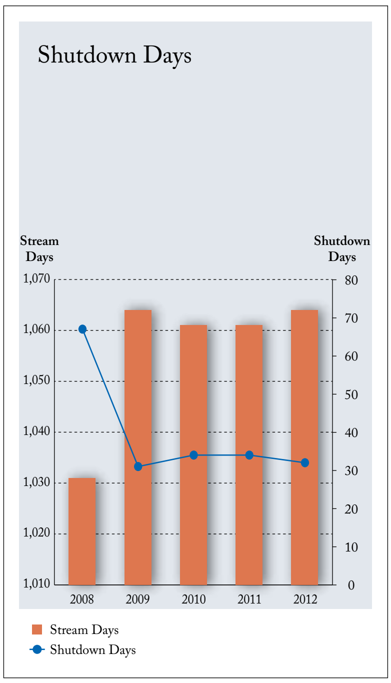
State of the art ERP system implemented

Opportunities / threats:

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

FFC

- FFBL Rs 4.75 billion
- FCCL Rs 1.5 Billion
- PMP Rs 0.7 Billion
- FFCEL Rs 2.3 billion



Benefits of ERP

- Reduction in Postage, Courier and Communication costs
- Centralised accessibility of data resulting in more efficient information retrieval
- Reduction in procurement cycle's duration
- Reduction in monitoring costs due to extensive activity logging facility
- Labour idle and over time savings due to better work scheduling
- Elimination of data / process redundancies; streamlining of work / information flow.

Notice of Meeting

Notice is hereby given that the 35th 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 07, 2013 at 1000 hours to transact the following business:-

Ordinary Business

1. Confirmation of the minutes of Extraordinary General Meeting held on August 30, 2012.
2. Consideration and adoption of annual audited accounts and the consolidated audited accounts of FFC and its subsidiaries alongwith Directors' and Auditors' Reports thereon for the year ended December 31, 2012.
3. Appointment of Auditors for the year 2013 and to fix their remuneration.

   The retiring Auditors M/s KPMG Taseer Hadi & Co, Chartered Accountants being eligible have offered themselves for re-appointment for the year 2013. Besides this, a notice has been received from a member in terms of Section 253(2) of the Companies Ordinance 1984, recommending appointment of M/s A. F. Ferguson & Co., Chartered Accountants as Auditors of the Company, in place of retiring Auditors at the Annual General Meeting of the Company.
4. Approve payment of Final Dividend for the year ended December 31, 2012 as recommended by the Board of Directors.
5. Transact any other business with the permission of the Chair.

By Order of the Board

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

Rawalpindi
February 13, 2013

NOTES:

1. The share transfer books of the Company will remain closed from March 01, 2013 to March 07, 2013 (both days inclusive).
2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a person / representative as proxy to attend and vote in place of the member at the Meeting. Proxies in order to be effective must be received at the Company's Registered Office, 156-The Mall, Rawalpindi not later than 48 hours before the time of holding the Meeting.
3. Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original NIC to prove identity, and in case of proxy, a copy of shareholder's attested computerized national identity card (CNIC) must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

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

A. For attending the Meeting:

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

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

B. For appointing proxies:

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

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

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

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

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


FFC UNRIVALLED EXCELLENCE

Financial Performance

		2012	2011	2010	2009	2008	2007
Financial Performance - Profitability							
Gross profit margin	%	48.43	62.20	43.60	43.27	40.39	35.59
EBITDA margin to sales	%	44.94	63.64	41.43	41.68	37.99	32.86
Pre tax margin	%	41.74	60.06	36.35	36.11	32.82	27.49
Net profit margin	%	28.04	40.73	24.58	24.40	21.33	18.85
Return on equity	%	79.86	97.49	71.40	67.44	53.11	42.11
Return on capital employed	%	69.55	87.27	57.25	49.96	36.94	34.80
Operating leverage ratio		3.73	4.12	1.00	1.65	3.42	(2.36)
Operating Performance / Liquidity							
Total assets turnover	Times	1.22	0.99	1.04	0.94	0.96	0.97
Fixed assets turnover	Times	4.15	3.24	2.82	2.58	2.40	2.74
Debtors turnover	Times	40.20	248.18	145.93	96.06	27.59	21.19
Debtors turnover	Days	9	1	3	4	13	17
Inventory turnover	Times	151.78	162.43	282.79	235.80	55.17	25.54
Inventory turnover	Days	2	2	1	2	7	14
Creditors turnover	Times	61.03	33.45	59.69	54.78	49.08	50.59
Creditors turnover	Days	6	11	6	7	7	7
Operating cycle	Days	5	(8)	(2)	(1)	14	24
Return on assets	%	34.23	40.50	25.61	22.89	20.44	18.33
Current ratio		1.15	1.07	0.86	0.84	0.82	0.94
Quick / Acid test ratio		1.02	0.95	0.73	0.66	0.54	0.68
Cash to Current liabilities	Times	0.62	0.38	0.32	0.12	0.06	0.29
Cash flow from Operations to Sales	Times	0.25	0.35	0.33	0.25	0.27	0.21
Capital Market/Capital Structure Analysis							
Market value per share							
- Year end	Rs	117.14	149.54	125.86	102.93	58.73	118.75
- High during the year	Rs	190.95	198.35	128.50	109.20	149.85	131.90
- Low during the year	Rs	105.75	109.82	101.10	61.66	54.30	103.00
Breakup value / (Net assets / share)	Rs	20.52	27.21	22.77	19.28	24.90	25.80
Earnings per share (pre tax) - restated	Rs	24.38	26.07	12.82	10.26	7.89	6.14
Earnings per share (after tax) - restated	Rs	16.38	17.68	8.67	6.94	5.13	4.21
Earnings growth - restated	%	(7.35)	103.92	24.93	35.20	21.85	15.65
Price earning ratio - restated	Times	7.15	8.46	14.52	14.83	11.45	28.21
Market price to breakup Value	Times	6.15	5.56	4.78	5.34	4.81	4.52
Dividend yield / Effective dividend rate	%	12.29	16.51	14.24	14.93	13.57	9.43
Debt : Equity		13:87	10:90	20:80	26:74	30:70	17:83
Weighted average cost of debt	%	12.47	14.50	13.49	14.64	12.09	8.93
Interest cover	Time	32.05	43.20	16.00	14.82	15.45	12.09
Change in Market Value Added	%	18.48	48.31	23.25	239.94	(63.60)	17.23
Financial leverage ratio		0.39	0.57	0.73	0.95	0.75	0.54
Corporate Distribution & Retention							
Dividend per share - Interim cash	Rs	10.50	14.75	9.50	9.90	10.50	7.50
Dividend per share - Proposed Final	Rs	5.00	5.25	3.50	3.25	3.25	3.50
Total dividend per share - cash	Rs	15.50	20.00	13.00	13.15	13.75	11.00
Dividend payout - Interim cash	%	64.10	55.62	58.45	73.13	79.40	69.05
Dividend payout - Interim & Proposed cash	%	94.62	75.42	79.98	98.12	103.98	101.27
Bonus shares issued	%	-	-	-	10.00	-	-
Proposed bonus issue	%	-	50.00	25.00	-	25.00	-
Total dividend per share - bonus	%	-	50.00	25.00	10.00	25.00	-
Total dividend - cash & bonus	%	155.00	250.00	155.00	141.50	162.50	110.00
Total dividend payout - cash & bonus	%	94.62	94.27	95.36	105.11	122.90	101.27
Dividend cover ratio - restated	%	105.68	70.72	55.94	49.05	31.57	38.27
Retention (after interim cash)	%	35.90	44.38	41.55	26.87	20.60	30.95
Retention (after interim & proposed cash)	%	5.38	24.58	20.02	1.88	(3.98)	(1.27)

		2012	2011	2010	2009	2008	2007
							(Rs in million)

Summary of Balance Sheet

	2012	2011	2010	2009	2008	2007
Share capital	12,722	8,482	6,785	6,785	4,935	4,935
Reserves	13,374	14,588	8,662	6,297	7,350	7,795
Shareholder's funds / Equity	26,096	23,070	15,447	13,082	12,285	12,730
Long term borrowings	3,870	2,704	3,819	4,579	5,378	2,671
Capital employed	29,966	25,774	19,266	17,661	17,663	15,401
Deferred liabilities	4,103	3,833	3,807	3,036	2,432	2,364
Property, plant & equipment	17,928	17,051	15,934	13,994	12,731	10,390
Long term assets	29,932	27,895	25,837	23,635	22,210	18,430
Net current assets / Working capital	4,137	1,712	(2,764)	(2,938)	(2,115)	(665)
Liquid funds (net)	7,830	14,603	7,830	5,298	2,117	2,103

Summary of Profit & Loss

	2012	2011	2010	2009	2008	2007
Sales	74,323	55,221	44,874	36,163	30,593	28,429
Gross profit	35,998	34,349	19,564	15,648	12,358	10,117
Operating profit	30,437	29,977	15,620	12,473	9,689	7,698
Profit before tax	31,021	33,166	16,310	13,057	10,041	7,814
Profit after tax	20,840	22,492	11,029	8,823	6,525	5,360
EBITDA	33,400	35,141	18,591	15,071	11,621	9,341

Summary of Cash Flows

	2012	2011	2010	2009	2008	2007
Net cash flow from Operating activities	18,646	19,557	14,768	8,919	8,166	5,914
Net cash flow from Investing activities	4,719	(8)	962	(1,373)	(3,243)	(451)
Net cash flow from Financing activities	(16,765)	(16,033)	(11,422)	(6,191)	(7,529)	(5,510)
Changes in Cash & cash equivalents	6,600	3,516	4,308	1,355	(2,606)	(47)
Cash & cash equivalents - Year end	16,572	9,963	6,423	2,097	740	3,344

Others

		2012	2011	2010	2009	2008	2007
Market capitalization		149,002	126,810	85,396	69,838	28,981	58,600
Numbers of shares issued	(Million)	1,272	848	679	679	494	494
Contribution to National Exchequer		43,189	28,081	14,647	13,634	11,663	11,979
Savings through Import Substitution	(Million US$)	1,061	1,126	756	679	1,217	807

Quantitative Data

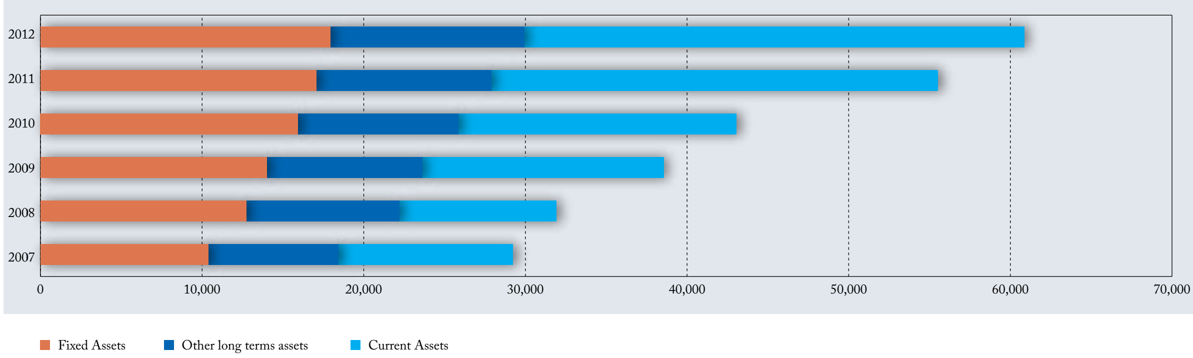
	2012	2011	2010	2009	2008	2007
Sona Urea Production	2,405	2,396	2,485	2,464	2,322	2,320
Sona Urea Sales	2,399	2,406	2,482	2,464	2,342	2,298

Horizontal Analysis
Balance Sheet

Rs in million

	2012 Rs	12 Vs. 11 %	2011 Rs	11 Vs. 10 %	2010 Rs	10 Vs. 09 %	2009 Rs	09 Vs. 08 %	2008 Rs	08 Vs. 07 %	2007 Rs	07 Vs. 06 %
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	49.99	8,482	25.01	6,785	-	6,785	37.49	4,935	-	4,935	-
Capital reserve	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	13,214	(8.41)	14,428	69.70	8,502	38.54	6,137	(14.65)	7,190	(5.83)	7,635	(2.89)
	26,096	13.12	23,070	49.35	15,447	18.08	13,082	6.49	12,285	(3.50)	12,730	(1.75)
NON - CURRENT LIABILITIES												
Long term borrowings	3,870	43.12	2,704	(29.20)	3,819	(16.60)	4,579	(14.86)	5,378	101.35	2,671	123.70
Deferred liabilities	4,103	7.07	3,832	0.66	3,807	25.40	3,036	24.84	2,432	2.88	2,364	(1.34)
	7,973	21.99	6,536	(14.29)	7,626	0.14	7,615	(2.50)	7,810	55.11	5,035	40.25
CURRENT LIABILITIES												
Trade and other payables	15,837	35.00	11,731	30.01	9,023	12.75	8,003	33.52	5,994	3.08	5,815	44.44
Interest and mark - up accrued	25	(68.75)	80	(42.03)	138	(6.12)	147	(24.62)	195	5.98	184	37.31
Short term borrowings	4,990	(42.88)	8,736	54.87	5,641	(7.36)	6,089	95.54	3,114	(0.86)	3,141	(30.68)
Current portion of long term borrowings	1,434	(11.26)	1,616	(8.13)	1,759	(2.22)	1,799	142.13	743	(27.37)	1,023	15.33
Taxation	4,532	20.47	3,762	9.81	3,426	88.55	1,817	2.19	1,778	35.42	1,313	0.61
	26,818	3.44	25,925	29.71	19,987	11.94	17,855	51.01	11,824	3.03	11,476	5.45
	60,887	9.65	55,531	28.96	43,060	11.69	38,552	20.78	31,919	9.16	29,241	6.60
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	17,819	4.50	17,051	7.01	15,934	13.86	13,994	9.92	12,731	22.53	10,390	8.14
Intangible assets	1,678	6.95	1,569	-	1,569	-	1,569	-	1,569	-	1,569	-
Log term investments	9,512	9.85	8,659	10.03	7,870	1.84	7,728	(0.22)	7,745	22.45	6,325	(1.31)
Long term loans & advances	701	15.68	606	33.19	455	34.62	338	107.36	163	13.99	143	85.71
Long term deposits & prepayments	222	2,366.67	9	-	9	50.00	6	200.00	2	-	2	-
	29,932	7.31	27,894	7.96	25,837	9.32	23,635	6.42	22,210	20.52	18,429	4.32
CURRENT ASSETS												
Stores, spares and loose tools	3,099	26.64	2,447	0.29	2,440	(18.59)	2,997	(1.22)	3,034	26.00	2,408	9.36
Stock in trade	442	(30.61)	637	200.47	212	47.22	144	(44.19)	258	(59.88)	643	(32.53)
Trade debts	3,611	4,050.57	87	(75.70)	358	39.30	257	(48.19)	496	(71.20)	1,722	79.19
Loans and advances	678	56.94	432	28.57	336	158.46	130	(5.11)	137	63.10	84	(11.58)
Deposits and prepayments	36	(33.33)	54	8.00	50	31.58	38	(64.49)	107	214.71	34	36.00
Other receivables	589	(33.97)	892	44.34	618	(15.80)	734	(40.47)	1,233	(20.09)	1,543	6.19
Short term investments	18,751	(13.96)	21,794	81.31	12,020	77.60	6,768	92.71	3,512	15.98	3,028	23.44
Cash and bank balances	3,749	189.72	1,294	8.83	1,189	(69.11)	3,849	312.98	932	(30.96)	1,350	(16.82)
	30,955	12.01	27,637	60.47	17,223	15.46	14,917	53.64	9,709	(10.19)	10,812	10.72
	60,887	9.65	55,531	28.96	43,060	11.69	38,552	20.78	31,919	9.16	29,241	6.60

Balance Sheet Analysis
(Assets)

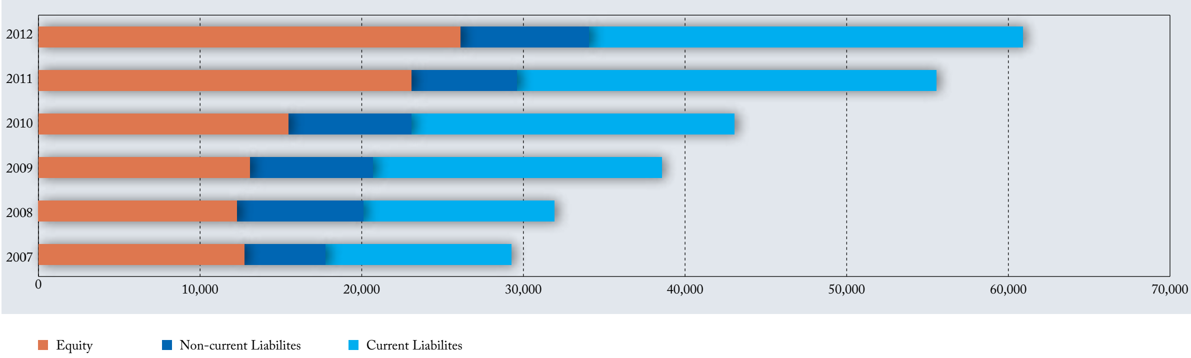


Vertical Analysis
Balance Sheet

Rs in million

	2012 Rs	2012 %	2011 Rs	2011 %	2010 Rs	2010 %	2009 Rs	2009 %	2008 Rs	2008 %	2007 Rs	2007 %
EQUITY AND LIABILITIES												
EQUITY												
Share capital	12,722	20.89	8,482	15.27	6,785	15.76	6,785	17.60	4,935	15.46	4,935	16.88
Capital reserve	160	0.26	160	0.29	160	0.37	160	0.42	160	0.50	160	0.54
Revenue reserves	13,214	21.70	14,428	25.98	8,502	19.74	6,137	15.91	7,190	22.53	7,635	26.11
	26,096	42.85	23,070	41.54	15,447	35.87	13,082	33.93	12,285	38.49	12,730	43.53
Long term borrowings	3,870	6.36	2,704	4.87	3,819	8.87	4,579	11.88	5,378	16.85	2,671	9.13
Deferred liabilities	4,103	6.74	3,832	6.90	3,807	8.84	3,036	7.87	2,432	7.62	2,364	8.09
	7,973	13.10	6,536	11.77	7,626	17.71	7,615	19.75	7,810	24.47	5,035	17.22
CURRENT LIABILITIES												
Trade and other payables	15,837	26.01	11,731	21.13	9,023	20.95	8,003	20.76	5,994	18.78	5,815	19.89
Interest and mark - up accrued	25	0.04	80	0.14	138	0.32	147	0.38	195	0.61	184	0.63
Short term borrowings	4,990	8.20	8,736	15.73	5,641	13.10	6,089	15.80	3,114	9.75	3,141	10.74
Current portion of long term borrowings	1,434	2.36	1,616	2.91	1,759	4.09	1,799	4.67	743	2.33	1,023	3.50
Taxation	4,532	7.44	3,762	6.78	3,426	7.96	1,817	4.71	1,778	5.57	1,313	4.49
	26,818	44.05	25,925	46.69	19,987	46.42	17,855	46.32	11,824	37.04	11,476	39.25
	60,887	100.00	55,531	100.00	43,060	100.00	38,552	100.00	31,919	100.00	29,241	100.00
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	17,819	29.27	17,051	30.70	15,934	37.00	13,994	36.30	12,731	39.88	10,390	35.53
Intangible assets	1,678	2.76	1,569	2.83	1,569	3.64	1,569	4.07	1,569	4.92	1,569	5.36
Log term investments	9,512	15.62	8,659	15.59	7,870	18.28	7,728	20.04	7,745	24.26	6,325	21.63
Long term Loans & advances	701	1.15	606	1.09	455	1.06	338	0.88	163	0.51	143	0.49
Long term deposits & prepayments	222	0.36	9	0.02	9	0.02	6	0.02	2	0.01	2	0.01
	29,932	49.15	27,894	50.23	25,837	60.00	23,635	61.31	22,210	69.58	18,429	63.02
CURRENT ASSETS												
Stores, spares and loose tools	3,099	5.09	2,447	4.41	2,440	5.67	2,997	7.77	3,034	9.51	2,408	8.23
Stock in trade	442	0.73	637	1.15	212	0.49	144	0.37	258	0.81	643	2.20
Trade debts	3,611	5.93	87	0.15	358	0.83	257	0.67	496	1.55	1,722	5.89
Loans and advances	678	1.11	432	0.78	336	0.78	130	0.34	137	0.43	84	0.29
Deposits and prepayments	36	0.06	54	0.10	50	0.12	38	0.10	107	0.34	34	0.12
Other receivables	589	0.97	892	1.60	618	1.44	734	1.90	1,233	3.86	1,543	5.28
Short term investments	18,751	30.80	21,794	39.25	12,020	27.91	6,768	17.56	3,512	11.00	3,028	10.35
Cash and bank balances	3,749	6.16	1,294	2.33	1,189	2.76	3,849	9.98	932	2.92	1,350	4.62
	30,955	50.85	27,637	49.77	17,223	40.00	14,917	38.69	9,709	30.42	10,812	36.98
	60,887	100.00	55,531	100.00	43,060	100.00	38,552	100.00	31,919	100.00	29,241	100.00

Balance Sheet Analysis
(Equity & Liabilites)



Horizontal and Vertical Analyses

Profit and Loss Account

Horizontal Analysis

Rs in million

	2012	12 Vs. 11	2011	11 Vs. 10	2010	10 Vs. 09	2009	09 Vs. 08	2008	08 Vs. 07	2007	07 Vs. 06
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Sales	74,323	34.59	55,221	23.06	44,874	24.09	36,163	18.21	30,593	7.61	28,429	(5.08)
Cost of Sales	38,325	83.62	20,872	(17.53)	25,310	23.37	20,515	12.50	18,235	(0.42)	18,312	(9.53)
Gross profit	35,998	4.80	34,349	75.57	19,564	25.03	15,648	26.62	12,358	22.15	10,117	4.20
Distribution cost	5,561	27.20	4,372	10.85	3,944	24.22	3,175	18.96	2,669	10.38	2,418	(11.98)
	30,437	1.53	29,977	91.91	15,620	25.23	12,473	28.73	9,689	25.85	7,699	10.59
Finance cost	999	27.10	786	(27.69)	1,087	15.03	945	35.97	695	(1.28)	704	40.52
Other expenses	2,685	1.13	2,655	92.95	1,376	8.18	1,272	41.96	896	6.04	845	14.81
	26,753	0.82	26,536	101.69	13,157	28.29	10,256	26.65	8,098	31.67	6,150	7.42
Other income	4,268	(35.63)	6,630	110.28	3,153	12.57	2,801	44.16	1,943	16.70	1,665	32.14
Net profit before taxation	31,021	(6.47)	33,166	103.35	16,310	24.91	13,057	30.04	10,041	28.48	7,815	11.88
Provision for taxation	10,181	(4.62)	10,674	102.12	5,281	24.73	4,234	20.42	3,516	43.28	2,454	4.47
Net profit after taxation	20,840	(7.34)	22,492	103.94	11,029	25.00	8,823	35.22	6,525	21.71	5,361	15.64

Vertical Analysis

Rs in million

	2012		2011		2010		2009		2008		2007	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Sales	74,323	100.00	55,221	100.00	44,874	100.00	36,163	100.00	30,593	100.00	28,429	100.00
Cost of Sales	38,325	51.57	20,872	37.80	25,310	56.40	20,515	56.73	18,235	59.61	18,312	64.41
Gross profit	35,998	48.43	34,349	62.20	19,564	43.60	15,648	43.27	12,358	40.39	10,117	35.59
Distribution cost	5,561	7.48	4,372	7.92	3,944	8.79	3,175	8.78	2,669	8.72	2,418	8.51
	30,437	40.95	29,977	54.29	15,620	34.81	12,473	34.49	9,689	31.67	7,699	27.08
Finance cost	999	1.34	786	1.42	1,087	2.42	945	2.61	695	2.27	704	2.48
Other expenses	2,685	3.61	2,655	4.81	1,376	3.07	1,272	3.52	896	2.93	845	2.97
	26,753	36.00	26,536	48.05	13,157	29.32	10,256	28.36	8,098	26.47	6,150	21.63
Other income	4,268	5.74	6,630	12.01	3,153	7.03	2,801	7.75	1,943	6.35	1,665	5.86
Net profit before taxation	31,021	41.74	33,166	60.06	16,310	36.35	13,057	36.11	10,041	32.82	7,815	27.49
Provision for taxation	10,181	13.70	10,674	19.33	5,281	11.77	4,234	11.71	3,516	11.49	2,454	8.63
Net profit after taxation	20,840	28.04	22,492	40.73	11,029	24.58	8,823	24.40	6,525	21.33	5,361	18.86

For FFC, 2011 was exceptional, creating new benchmarks in profitability and payout, because of which comparison of 2011 with the current or any of the previous four years will distort almost all of the information, projecting a false impression of under performance during current year. 2012 was the second best performance of the Company in any year and based on a six year analysis however, we have maintained an upward trend in all areas of operations.

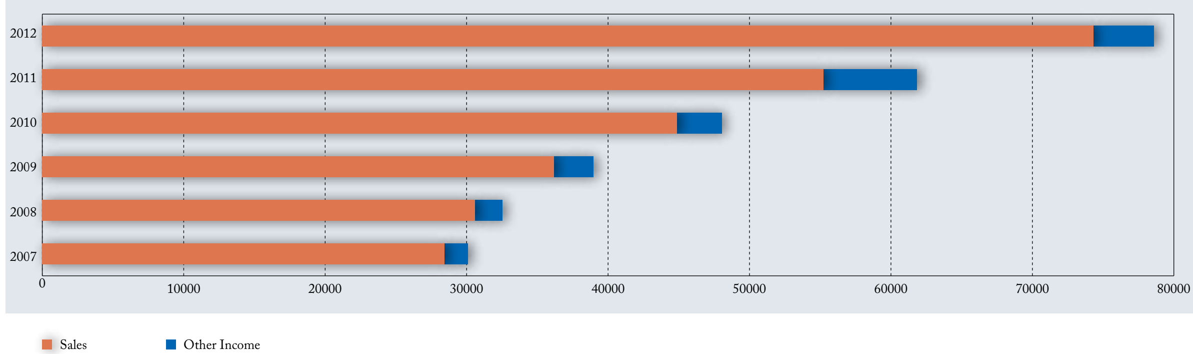
Profitability and liquidity ratios for 2012 were above the average for 2007-2011, except debtors' turnover which deteriorated because of enhanced credit sales to offload inventory buildup during the year.

Profit and Loss Summary: Significantly higher sales revenue was largely offset by higher cost of sales because of GIDC, resulting in a marginal increase in gross profitability. Decrease in net profit is primarily attributable to lower dividend income during the year.

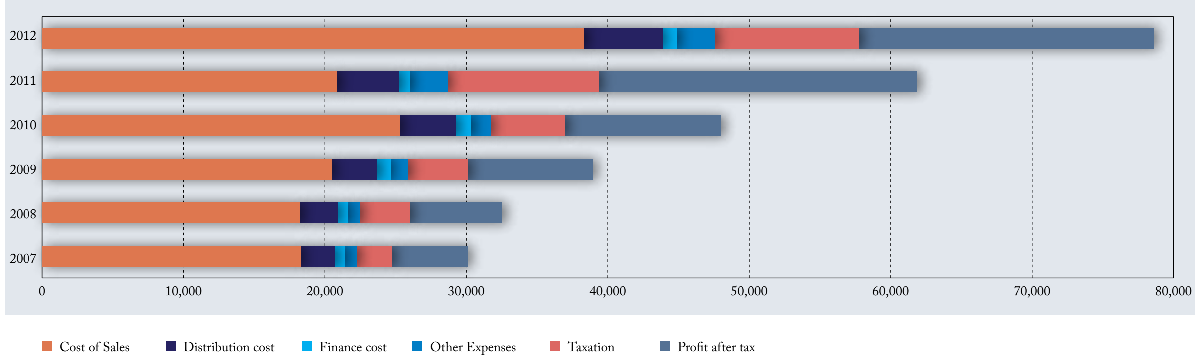
Capital Market/Capital Structure analysis: 2011 registered a significant increase in the capital base, negatively impacting the share price. On an overall basis, the share capital increased by 160% from Rs. 4.9 billion to Rs. 12.72 billion. Earning depicted a negative growth of 7% compared to 2011 whereas it has maintained and upward trend on a cumulative basis since 2007.

Financial performance has also been analyzed under other relevant sections of the Directors' Report.

Profit and Loss Analysis
(Income)

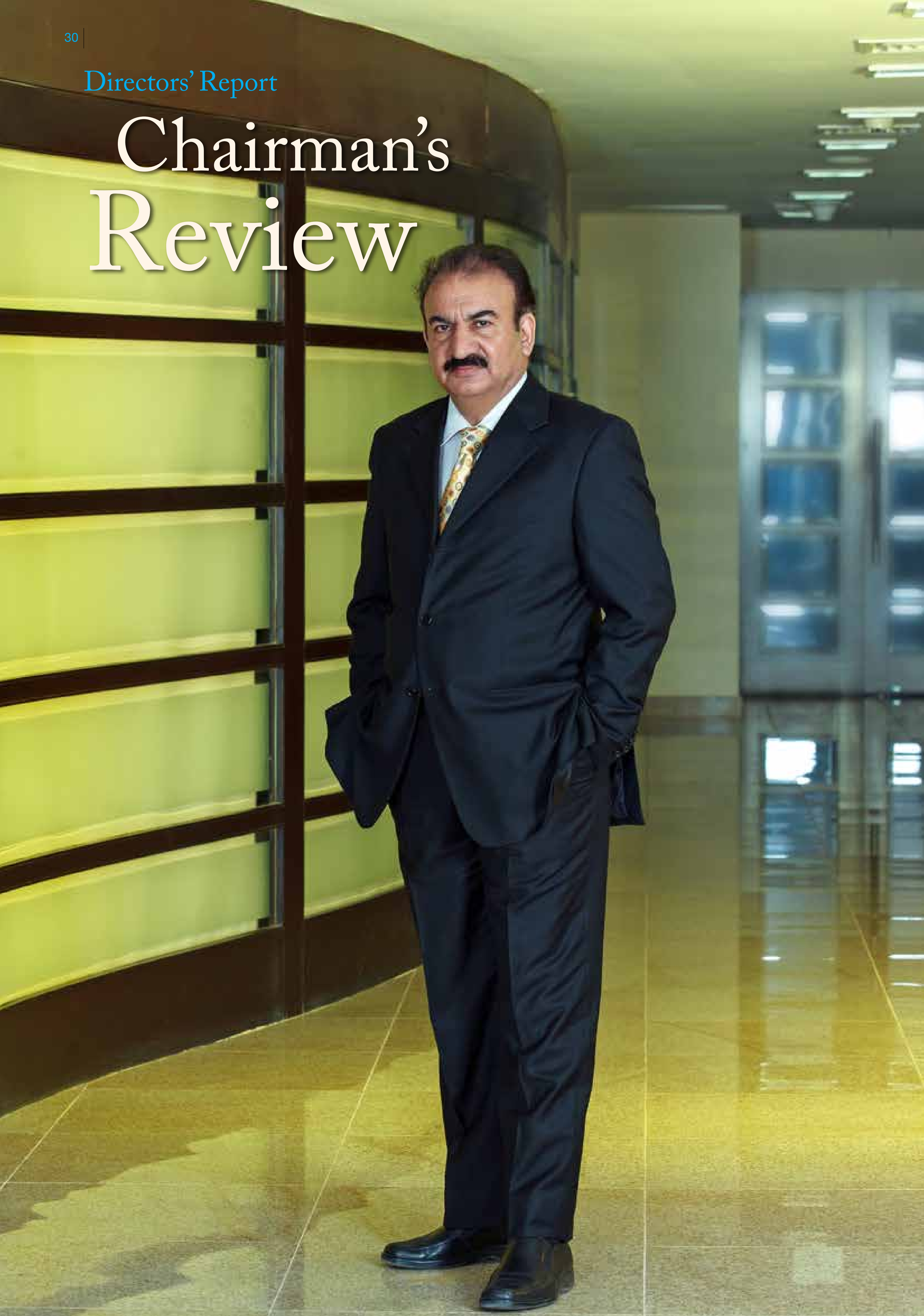


Profit and Loss Analysis
(Expense)



Cash Flow Summary
(Rs in million)

Chairman's Review



"We believe that our ability to deliver superior long term financial returns is the cornerstone of establishing enduring value for all stakeholders."

While the Country struggles through social and economic challenges, I am pleased to report that FFC maintained its leadership as a socially responsible citizen, contributing extensively towards economic advancement of the Country.

Energy has surfaced as one of the biggest concerns which alone is capable of severely hampering Country's economic growth.

Depletion in natural gas reserves led to repeated curtailment and rationing among consumers including the fertilizer sector, leaving the installed production capacity highly underutilized. The resultant demand supply imbalance thus had to be met through imports, causing undue burden on the National Exchequer in addition to depletion of foreign exchange reserves.

Yet, the outstanding resilience of our business model enabled FFC to continue its path of profitable returns. Unfortunately however, the growth pattern established over the last few years could not be sustained due to depleting returns on investments.

The year ended with net profitability of Rs 20.84 billion translating into an EPS of Rs 16.38, registering a marginal decline of 7% from last year. Based on these promising results, the Board of Directors is pleased to announce a final dividend of Rs 5 per share for the year, bringing the overall dividend distribution to Rs 15.5 per share.

2012 also marks the beginning of a new era for renewable energy in the Country with the inauguration of 'FFC Energy Limited', Pakistan's first wind power project. During this testing phase, supply of electricity to National Grid has commenced with planned commercial supply from first quarter of 2013 on issuance of Commercial Operations Date by NEPRA.

Scarcity of natural gas warrants prompt action by the authorities. Restoration of gas supply to fertilizer sector shall enable the local capacity to not only meet demand, but also result in surplus fertilizer output, opening new avenues for exports augmenting Country's economy and improving balance of payments.

Growth is the essence of our corporate vision and we strive for diversification to deliver our leading role in the industrial and agricultural advancement of the Country.

Lt Gen Muhammad Mustafa Khan
HI (M) (Retired)
January 23, 2013

CE&MD's Remarks

"Our steadfast commitment to achieve sustainable growth, resonates from the Board of Directors through our executive team to each front-line employee."

I feel privileged to have been entrusted the stewardship of the organization which has been the backbone of Country's fertilizer industry for almost three decades.

I would like to place on record my appreciation of the immense contribution and dedicated leadership by my predecessor, Lt Gen Malik Arif Hayat, HI(M) (Retired) and all those before him, making this organization a hallmark of success and prosperity.

Our new Head Office building, Sona Tower, was inaugurated during the year. As a marvel of architectural and structural engineering, it stands in the heart of Rawalpindi symbolizing our achievements, taking our professional excellence to new heights.

FFC successfully handled challenges of gas curtailment and market saturation due to excessive urea imports and stands firm in its resolve to utilize maximum potential for the benefit of the Company and the Country at large.

Almost 50 percent of the world food production is attributed to fertilizer application, and we believe that fertilizer importance will gain substantial momentum in the coming years as demand for food increases while availability of cultivable land stagnates.

As the largest fertilizer group of the Country, FFC plays an integral role in the agriculture sector, providing 51% of overall fertilizer consumed during the year, accounting for most of the food produced in the Country.

Our financial and operational results for the year clearly depict that we operate in a continuously evolving market. Despite shortage of gas, our efficient production facilities resulted in 117% capacity utilization. Although facing a tough competition from imported fertilizer and other local competitors, FFC managed to sell 2,399 thousand tonnes of 'Sona' urea, improving our market share to 45%.

Despite our optimism for the future, we acknowledge that growth does not follow a linear progression. Our key priority is long-term responsible and sustainable resource management. This approach is supported by an extensively engaged Board of Directors, dedicated to deliver economical and efficiently diversified energy resources, services and products as a platform of growth for the Company.

Lt Gen Naeem Khalid Lodhi,
HI (M) (Retired)
January 23, 2013

Financial Review

"Strong financial performance rewards our shareholders and, at the same time, allows us to focus on our broader objective of growth and diversification, enabling us to ensure long term prosperity of our customers, employees, suppliers and communities."

Syed Shahid Hussain
Chief Financial Officer

Macro-economic Overview

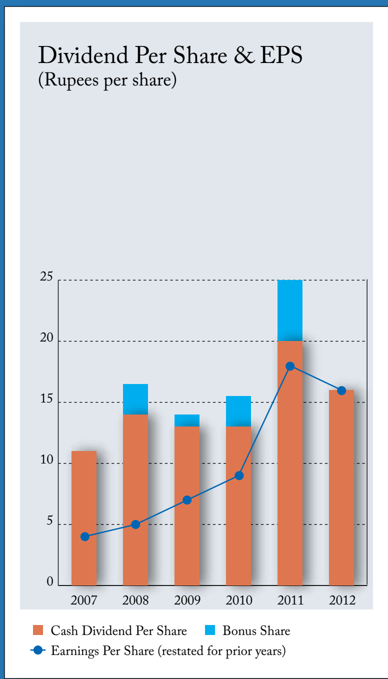
Global financial issues including euro zone crisis impacted negatively on foreign direct investments in the Country. However, Pakistan managed to keep the exports steady and recorded an increase in foreign remittances, in addition to recording a moderate growth in domestic sector.

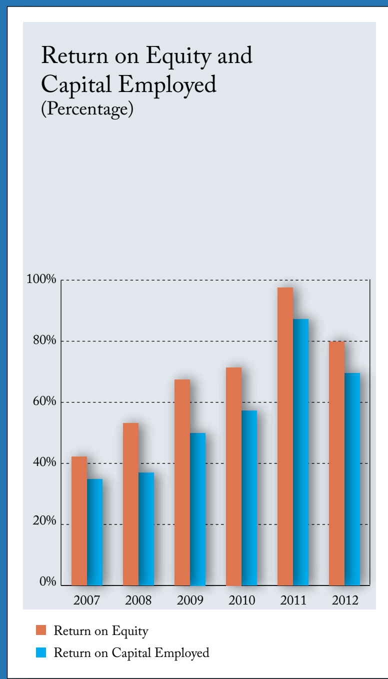
GDP growth for the fiscal year was estimated at 3.7% as compared to 3% last year resulting from growth in agriculture and services sector of 3.1% and 4% respectively, while per capita real income rose by 2.3% in 2011-12 as against 1.3% last year. Large scale manufacturing sector remained stressed due to power and gas outages and lower domestic demand, registering a meager growth of 1.1%.

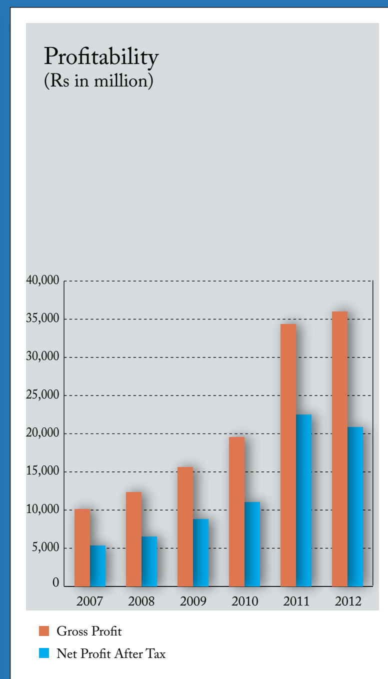
The agriculture sector employs 45% of the population whereas 60% of rural population depends upon this sector for its livelihood. During the year 2011-12, major crops accounted for 31.9% of agricultural value added and registered a growth of 3.2% over last year.

Foreign exchange reserves of the Country are sustained mostly through steady worker remittances, but a growing current account deficit, driven by a widening trade gap as import growth outstrips export expansion, could draw down reserves and dampen GDP growth in the medium term.

Unemployment at 6% has been fairly steady in recent years but Pakistan needs to gear up both savings and investments to enhance the employment generating ability of the economy as well as increase resource availability for investment. Broadening of tax base and implementation of sales tax reforms in the last quarter of fiscal year 2010 -11, significantly increased revenue collection during the year 2011-12.







Earnings per share

EPS being one of the most prominent performance indicator shows Company's profitability attributable to each share of the Company. EPS of Rs 16.38 per share, declined from prior year due to decrease in gross and net profit margins amid GIDC imposition and decline in dividends from FFBL.

Return on Equity

Return on Equity shows the percentage of equity returned in the form of profits during the year. Our ROE for the year of 79.86% shows our outstanding financial performance.

Profitability

Net profit after tax at Rs 20.84 billion, although 7% below last year, keeps the Company steady and ready to face future challenges. We look forward to invest in accretive opportunities to achieve sustainable growth in future.

Financial Performance

Our financial strength is largely fueled by efficient production facilities, extensive distribution network and optimum fund utilization, redefining records year after year.

Production during the year at 2,405 thousand tonnes was in line with last year, demonstrating our efficiencies against persistent gas curtailment.

Despite a marginal decline in sales volume of 'Sona' Urea, aggregate turnover of Rs 74,323 million was an all time record with 35% improvement over last year. FFC captured a urea market share of 46%, while combined market share including FFBL output was 51%, compared to 48% last year. [Source: NFDC]

Gross profit however recorded a meager growth of 5%, owing to a substantial increase in cost of sales by Rs 17,453 million primarily due to 207% increase in feed gas cost, the most prominent component of production cost, amid imposition of GIDC and general gas price revisions.

Depressed sales during most parts of the year resulted in excessive stock handling, warehousing and distribution, which combined with the rise in transportation rates resulted in 27% increase in distribution costs as compared to last year. The operating profit thus stood at Rs 30,437 million, marginally above last year.

A significant shift from cash to credit sales adversely affected our working capital cycle, triggering the need for short term finances, resulting in finance cost surge by 6 times. Long term financing cost however declined by 28% due to repayments.

Other income decreased by 36% mainly due to a 42% reduction in dividend income from FFBL, in addition to an 18% decline in income from other investments because of lower funds availability during the year.

Net profit after tax of Rs 20,840 million with an EPS of Rs 16.38 was 7% below last year.

ROA and ROE ratios of FFC similarly demonstrated a decline of 6% and 18% respectively, as compared to last year.

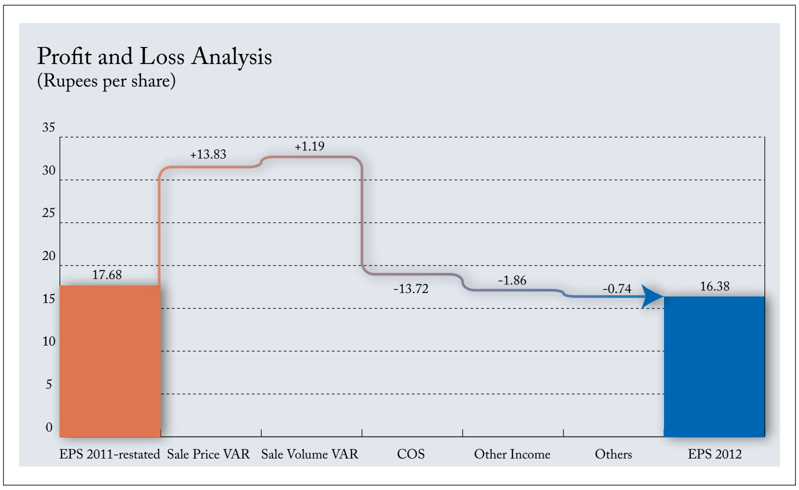
Financial Review

Financial Analysis

Profit & Loss Analysis

During the year, sales revenue showed a net increase of 35%, with a 32% positive impact of selling price due to imposition of GIDC and 3% additive effect of higher sales volume of imported fertilizers.

EPS declined by 7% compared to last year primarily because of increased cost of sales due to GIDC and decreased other income attributable to 42% reduction in dividend income from FFBL.



Financial Position Analysis

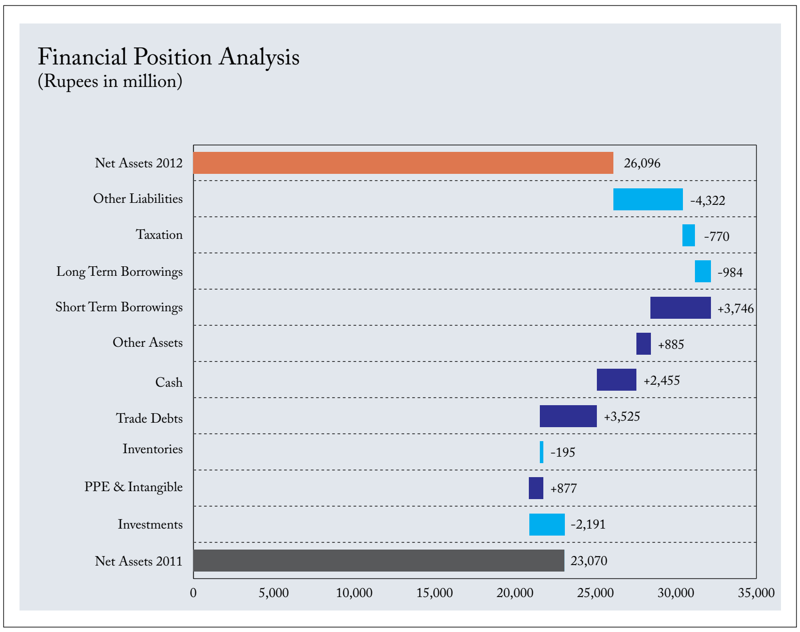
Net Assets at the end of year were 13% above last year. Trade debts rose by Rs 3,525 million due to higher credit sales to boost Urea off take. Advances from customers registered a positive impact of Rs 996 million due to speculative buying by dealers towards the end of the year.

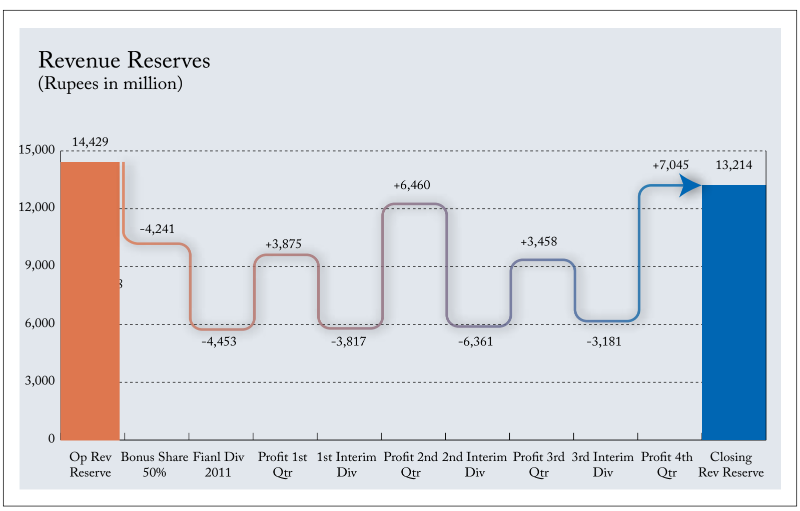
Improved fertilizer demand towards the close of the year boosted liquidity to Rs 22.50 billion, marginally lower than last year in addition to lower short term borrowings by Rs 3,746 million.

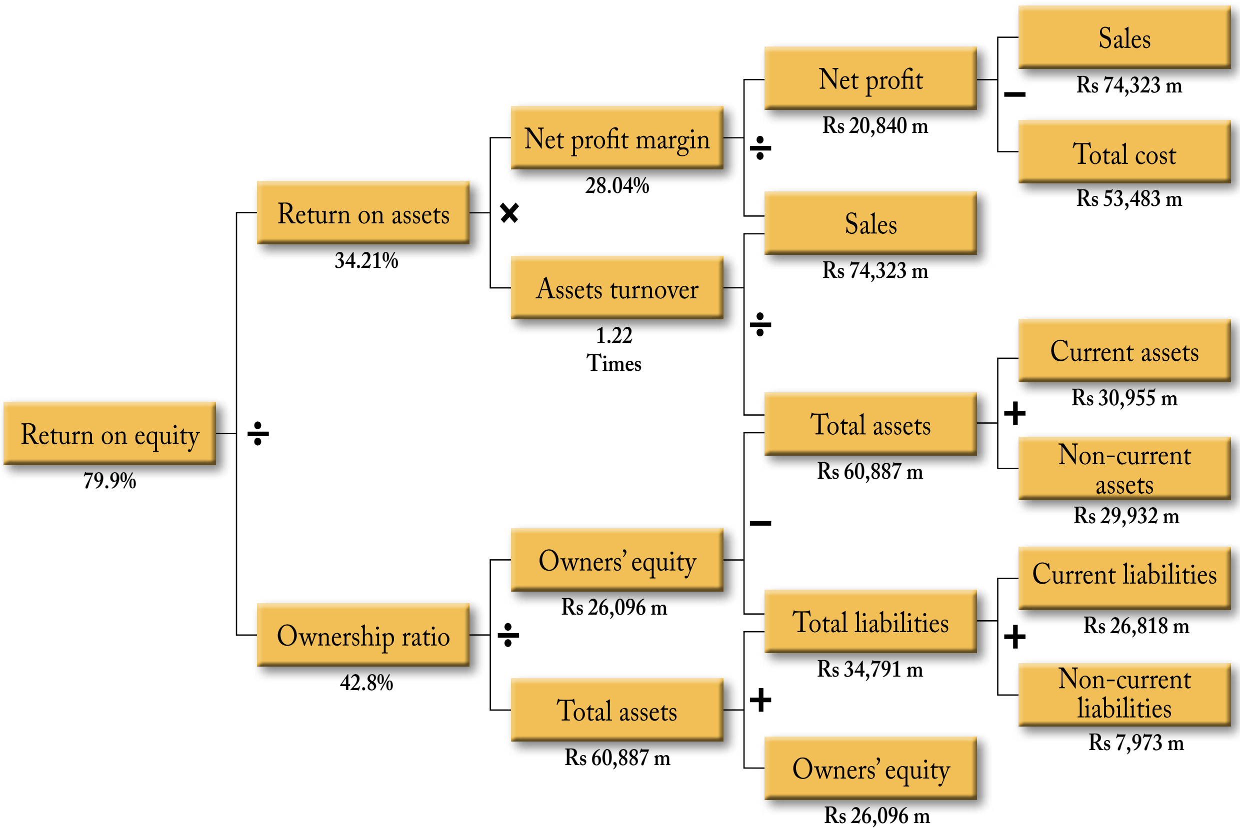
Other changes include increase in consignment account of FFBL and GST payable by Rs 845 million and Rs 877 million respectively, due to higher sales in December 2012.

Long term borrowings increased by 23% due to Rs 3 billion financing in the last quarter of 2012, for potential investment needs.

Property plant & equipment increased by 5%. Major projects capitalized during the year include Head Office building and SAP ERP system.







Profit Distribution Ananlysis

Revenue reserves of Rs 14,429 million at December 31, 2011 were applied towards final cash dividend 2011 of Rs 5.25 per share and 50% bonus dividend to the shareholders.

Profit for the first quarter -2012 was recorded at Rs 3,875 million. A cash dividend of Rs 3.00 per share was announced as the first interim dividend, i.e. 98.5% quarterly payout.

Second quarter registered an improvement in profitability, enabling distribution of Rs 5.00 per share as second interim dividend amounting to Rs 6,361, i.e. 98% of quarterly profit of Rs 6,460 million.

Profit for the third quarter declined to Rs 3,458 million, out of which, Rs 3,181 million was distributed resulting in 92% payout.

Improvement in sales resulted in a towering Rs 7,045 million profit for the fourth quarter, enabling retained earnings of Rs 13,214 million at the end of the year.

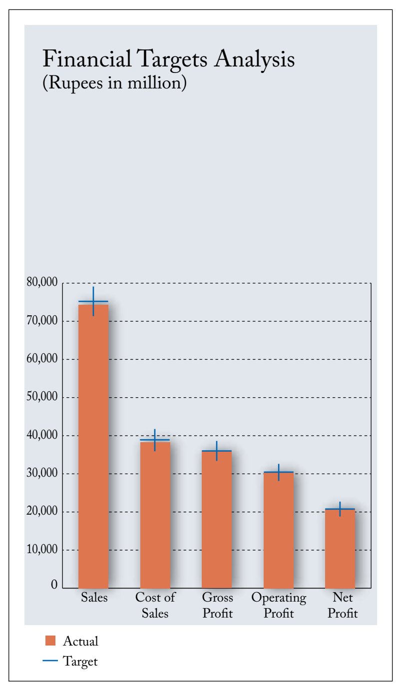
Financial Targets Analysis

Financial and operating performance indicates achievement against challenges faced in production, sales and investment income. Decrease in cost of sales is attributable to operating efficiencies enabling savings in maintenance costs.

Distribution and finance costs are beyond our control, which increased due to inflationary pressures and lower sales collections during the year.

Sales revenue was lower due to competition posed by highly subsidized imported urea. Profitability was accordingly in line with targets.

DuPont Analysis	2012	2011
Tax burden	33%	32%
Interest burden	3%	2%
EBIT margin	43%	61%
Asset turnover	1.22	0.99
Leverage	57%	59%
Return on Equity	79.86%	97.5%

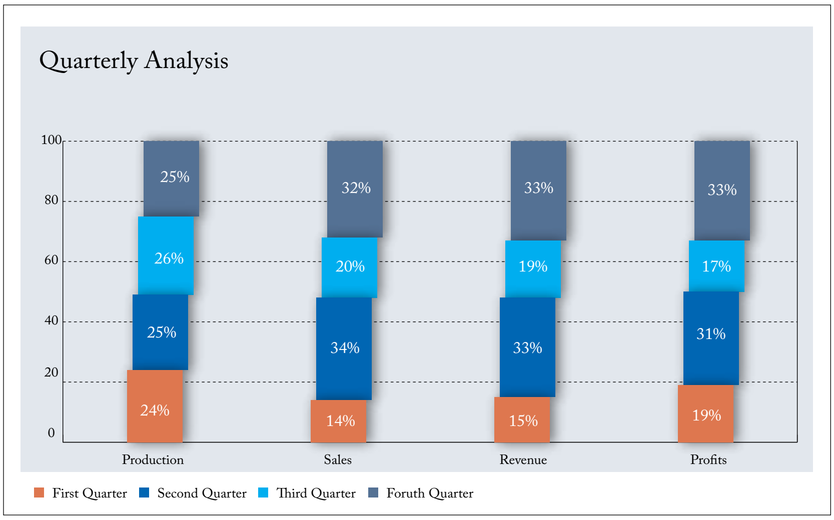


Directors' Report

Financial Review

Quarterly Analysis

Uneven urea sales was the basic factor in our quarterly fluctuations. The first and third quarters suffered from a decreased sales activity, resulting in lower funds availability and disturbance in working capital cycle. The second and fourth quarters were the major contributors towards sustained profitability due to enhanced fertilizer offtake for Kharif and Rabi crops. Detailed analysis of major operating components is as follows:



Production

Quarterly production remained fairly consistent with only minor fluctuations due to limitations in gas availability and plant maintenance downtime.

Sales

'Sona' sales during the first quarter were meager, contributing only 14% to total sales volume. Start of Kharif from the second quarter triggered record sales of 527 thousand tonnes in the month of June. Third quarter contributed only 20% to total sales, as fresh shipment of imported urea was made available by the Government. Start of fourth quarter was slow but as the year came to a close, the demand increased due to sowing of Rabi crops, contributing 32% to total sales.

Revenue

Gross selling price of 'Sona' Urea was slashed significantly by Rs 145 per bag in May 2012 to compete with excessively subsidized imported urea. The prices remained fairly steady during the remainder of the year. Revenues followed a similar pattern as sales quantity over the four quarters.

Profit

Receipt of final dividend of 2011 from FFBL in the first quarter augmented the profitability, accounting for 19% of the total net profits. However, owing to severe market conditions and extensive gas curtailment, no dividend was received from FFBL in the second and third quarter of the year, resulting in reduced profitability by 31% and 17% respectively. Fourth quarter contributed 33% to net profit after tax on the back of exceptional increase in 'Sona' sales and receipt of 22.50% interim dividend from FFBL.

Net Assets

Net assets valued Rs 23,070 million at the start of the year which, by the end of first quarter declined to Rs 22,494 million due to sluggish sales activity resulting in lower working capital. By the end of second quarter, Company operations had recovered and reached a net assets position of Rs 25,132 million. The second half of 2012 followed a similer trend, where net assets initially declined to Rs 22,231 million at the end of third quarter, rebounding to Rs 26,096 million at the end of the year.

Appropriations

Till the year end, the Company had appropriated Rs 17,812 million of available funds, Rs 4,453 million as final dividend for 2011 and Rs 13,359 million as interim cash dividends for 2012. Additionally, Rs 4,200 million were transferred to general reserve for issuance of 50% bonus shares as reflected by the table:

Appropriations	Rs in million	Rs per share
Unappropriated profit brought forward	8,875	
Final Dividend 2011	(4,453)	5.25
Transfer to General Reserve	(4,200)	
Net profit for the year 2012	20,840	16.34
Available for appropriation	21,062	
Appropriations		
First interim dividend 2012	(3,817)	3.00
Second interim dividend 2012	(6,361)	5.00
Third interim dividend 2012	(3,181)	2.50
Unappropriated profit carried forward	7,703	

Financial Commitments

The Company was financially committed for an aggregate of Rs 3,363 million at year end for capital expenditure, equity investment and procurement of goods /services, for which the Company has both the ability and intention to fulfill, as listed in the table:

	Commitments	Rs in million
1	Purchase of property, plant and equipment	1,535
2	Purchase stores & spares	1,180
3	Proposed investment in FFCEL	386
4	Rentals under lease agreements	262
	Total	3,363

Safeguarding of Records

With increasing IT dependence for recording and reporting of financial transactions, due attention has been given to IT enabled tools for security of financial record.

In the first stage, we archived financial and supporting record using E-DOX computer system, enabling timely and convenient retrieval of relevant documents. After completion of archiving, paper based documentation was sealed and placed in a properly fumigated storage facility, for legal requirements.

Access to electronic documentation has been ensured through implementation of a comprehensive password protected authorization matrix in SAP-ERP system. Additionally, as part of Disaster Recovery Procedures, remote distracter recovery sites have been set up for maintaining backup server and data in case our primary server encounters any issues.

Financial Review

Sensitivity Analysis

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

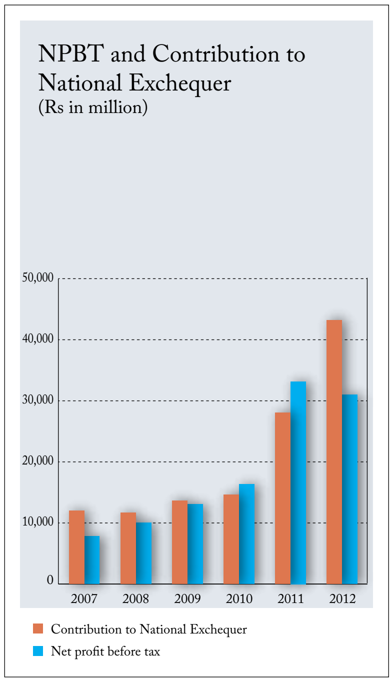
Although a conventional economic model is a useful tool to aid decision making, there are several types of uncertainties associated with it. Therefore, we fill this gap with the help of sensitivity analysis, enabling us to determine which parameters are the key drivers of our business model.

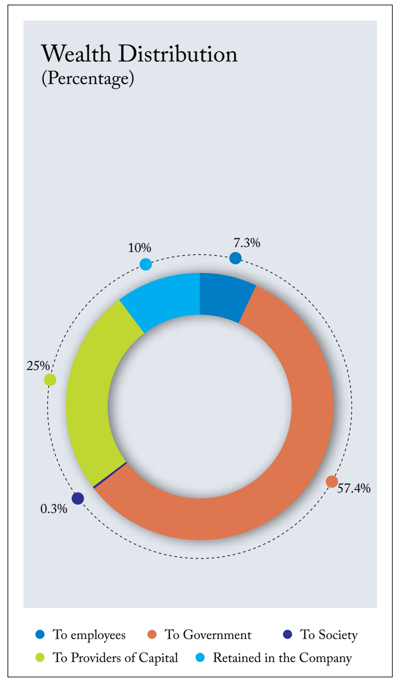
Key Sensitivities

Key Sensitivities		Impact NPAT (Rs million)	EPS (Rs)
Sales Volume	±1%	272	0.21
Selling Price	±1%	452	0.36
Gas Consumption / Price	±1%	103	0.08
Downtime	±2 days	34	0.03
Dividend Income	±5%	118	0.09
Exchange Valuation	±5%	184	0.14

- **Sales volume**, being one of the primary growth drivers, is critical to our business model. Historically, fertilizer market in Pakistan has largely been dominated by demand. However, in 2012, we have seen that availability of highly subsidized imported fertilizer can adversely affect sale of indigenous fertilizer.
- **Selling Price** of our product has been fairly steady during the year. As the quantum of sales is significant, a minor deviation in selling price makes a sizable difference.
- Natural gas is the key raw material for our product. Keeping our **Gas Consumption** at an optimal level is one of our primary concerns. Improvement in consumption levels may be obtained through efficiency enhancement, however, a reduction in consumption can also be caused due to gas curtailment.
- Maximum output can only be obtained through continuous operations but since the plants require regular maintenance, certain days of **downtime** are unavoidable. However, if the downtime extends beyond the planned period, it results in production losses and ultimately, decrease in profitability.
- The major constituent of our income from other sources is **Dividend Income** we earn from our strategic investments. Although this variable is unrelated to other sensitivities, a significant variation in its pattern alone can highly impact the Company's profitability.
- **Exchange Valuation** of our foreign currency monetary assets and liabilities is carried out on the basis of exchange rates prevailing at the balance sheet date, while foreign currency transactions are recorded at the rate prevailing on the relevant date. Variation in exchange rates may materially affect Company's profitability.

Although many of these sensitivities are inter-dependent, for the purpose of simplicity, their estimated standalone financial impacts are shown in the table above.





Contribution to National Exchequer and Economy

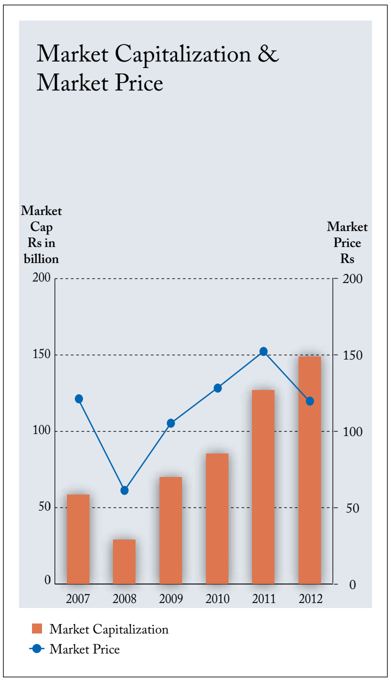
FFC contribution to the National Exchequer during the year at Rs 43,189 million by way of taxes, levies, excise duty, sales tax and development surcharge was an all time record, taking the aggregate cumulative contribution to Rs 204,200 million.

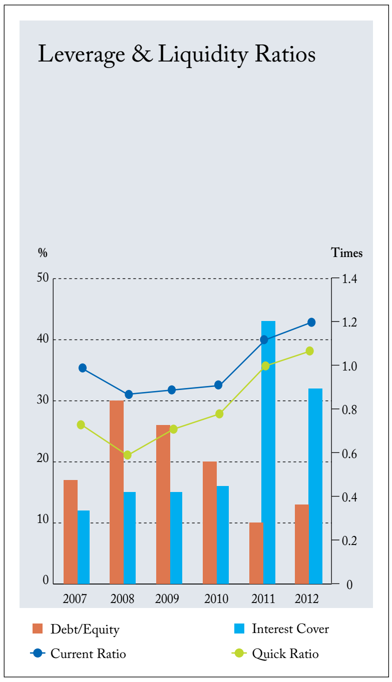
Value addition in terms of foreign exchange savings worked out to US$ 1,061 million through import substitution by manufacture of 2,405 thousand tonnes of urea during the year.

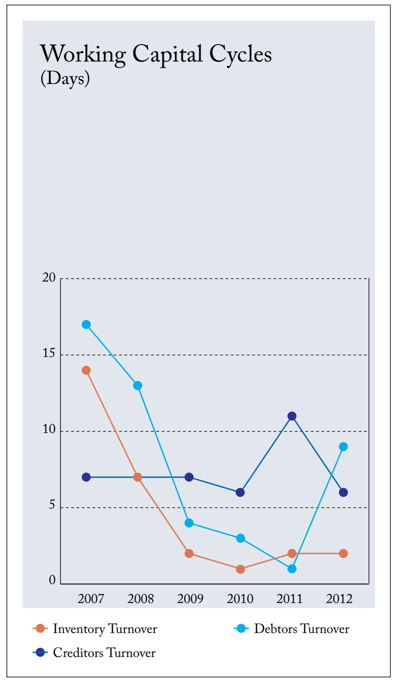
Total value addition to the economy was Rs 75,230 million, detailed distribution of which is reflected by the table:

	2012 Rs in million	%	2011 Rs in million	%
WEALTH CREATED				
Total revenue inclusive of sales tax and other income	90,483	120.3	69,283	126.4
Purchases – material and services	15,253	(20.3)	14,456	(26.4)
	75,230	100	54,827	100
WEALTH DISTRIBUTION				
To Employees				
Salaries, wages and other benefits including retirement benefits	5,475	7.3	4,932	9.00
To Government				
Income tax, sales tax, excise duty and custom duty	40,859	54.3	25,927	47.29
WPPF and WWF	2,330	3.1	2,154	3.93
To Society				
Donations and welfare activities	220	0.3	178	0.32
To Providers of Capital				
Dividend to shareholders	17,811	23.7	14,885	27.15
Finance cost of borrowed funds	1,054	1.4	844	1.54
Retained in the Company	7,481	9.9	5,907	10.77
	75,230	100	54,827	100

Directors' Report
Financial Review







Liquidity and Cash flow Management

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

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

Capital Market and Market Capitalization

Pakistan's capital market is largely denoted in terms of annual performance of the Karachi Stock Exchange. In an analysis of last 5 years, starting from the latest year under review, market capitalization rose from Rs 1,859 billion to Rs 4,242 billion, whereas, listed capital has increased by a significant 46% from Rs 750 billion to Rs 1,094 billion.

FFC market capitalization stood at Rs 149 billion, with an increase of 18% since last year. Total turnover in FFC shares was recorded at 570 million while the market price during the year underwent fluctuations between the highest of Rs 190.95 per share to the lowest of Rs 105.75 per share, closing at Rs 117.14 per share on December 31, 2012.

Risk Management

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

Risk management is the identification, assessment, and prioritization of risks, followed by coordinated and economical application of resources to minimize, monitor, and control the probability and /or impact of unforeseen events, or to maximize the realization of opportunities.

Bigger the risks, bigger the rewards. At FFC, we have a responsibility to safeguard our assets and protect our shareholders' interest. Therefore, we have in place a mechanism of identifying, assessing, evaluating and mitigating risks, which enables us to make appropriate decisions. The

trade-off between risks and rewards is made with the sole purpose of maximizing shareholders' wealth.

Types of Risks

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

I. Strategic risks

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

II. Operational risks

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

III. Commercial risks

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

IV. Financial risks

Financial risks are divided in the following categories:

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

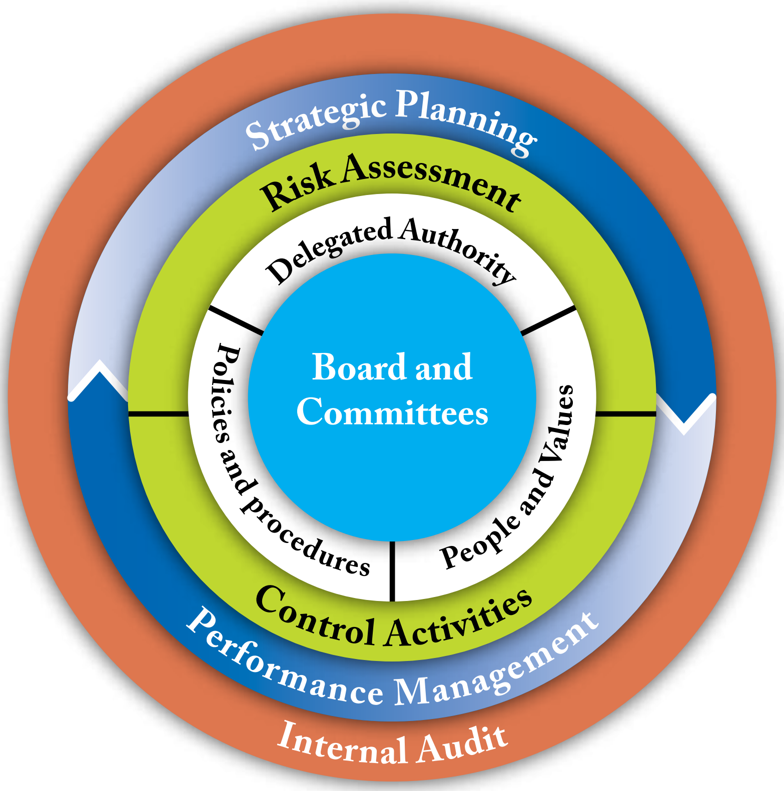
We limit our exposure to credit risk by investing only in liquid securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Company has invested in securities with high credit ratings only, management does not expect any counterparty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

b. Market risk
Market risk is the risk that value of financial instruments may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Company incurs financial liabilities to manage its market risk. All such activities are carried out with the approval of the Board.

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

Financial Review



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

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

Risk Governance

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

I. Board and Committees:

Oversees the risk management process primarily through its committees:

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

II. Policies & Procedures:

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

III. Control activities

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

IV. Performance Management

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

V. Internal Audit

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

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

Risk Methodology and Ranking Matrix

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

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

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

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

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

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

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

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

Directors' Report

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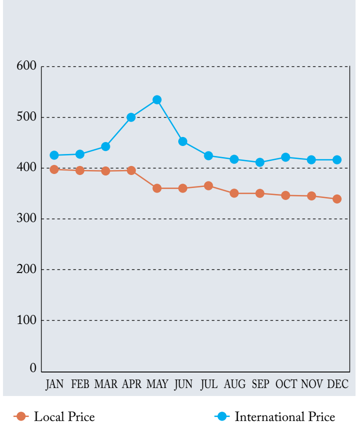
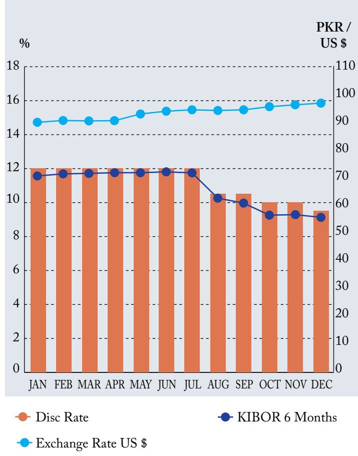
	Risk	Mitigating Factors
Strategic	Technological shift rendering FFC's production process obsolete or cost inefficient.	Being proactive, FFC mitigates this risk through balancing, modernization and replacements carried out at all the production facilities, to ensure that our production plants are state of the art and utilize latest technological developments for cost minimization and output optimization.
	Decline in international price of urea, forcing a local price fall.	FFC's current margins are adequate to weather such an eventuality.
Commercial	Strong market competition arises, lowering demand for FFC's product.	FFC combined with FFBL currently holds 51% urea market share, and continuous efforts are being made to sustain the production levels to maintain our market share.
Operational	Turnover of trained employees at critical positions may render the operations incapacitated.	FFC has a detailed succession plan. We have a culture of employee training and development, continuously promoting and rotating employees within the departments. Furthermore, formal work procedures and work instructions are in place to provide guidance regarding any process undertaken by a new employee.
Financial	Rise in KIBOR rates inflating the borrowing costs.	FFC has hedged this risk of fluctuation in interest rates for long term finances by holding "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates. Furthermore, deposits and short term investments at floating rates minimize the adverse affects to some extent.
	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.
	Insufficient cash available to pay a liability resulting in liquidity problem.	The cash management system of the Company is proactive and adequate funds are kept available for any unforeseen situation. Furthermore, committed credit lines from banks are available to bridge the liquidity gap, if any.
	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.

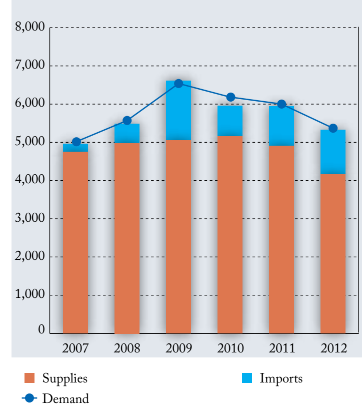
International Vs Local Urea Prices 2012
(US $ per tonne)



KIBOR 6 Months, Discount & Exchange (US $) Rates



Industry Urea Market Supplies vs Demands
(Tonnes '000)



Corporate Awards

Best Corporate Report Award 2011

The Annual Report of the Company for the year ended December 31, 2011 was awarded first place in the Fertilizer & Chemical sector and was also the overall winner in Best Corporate Report Awards 2011, declared by the joint committee of Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP) in a ceremony held in Karachi on October 08, 2012.

KSE Top Companies 2011

FFC was also adjudged the overall winner of the Top 25 companies award for 2011 by the Karachi Stock Exchange. This was the eighteenth consecutive placement in the top companies list.

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

Best Sustainability Report 2011

Although FFC has been a consistent patron of corporate social responsibility, it is only in 2011 that a comprehensive Sustainability Report was compiled, encompassing all activities of the Company. In its first such effort, FFC bagged third position in the Best Sustainability Report Awards held by the joint committee of ICAP and ICMAP.

Corporate Philanthropy Award 2011

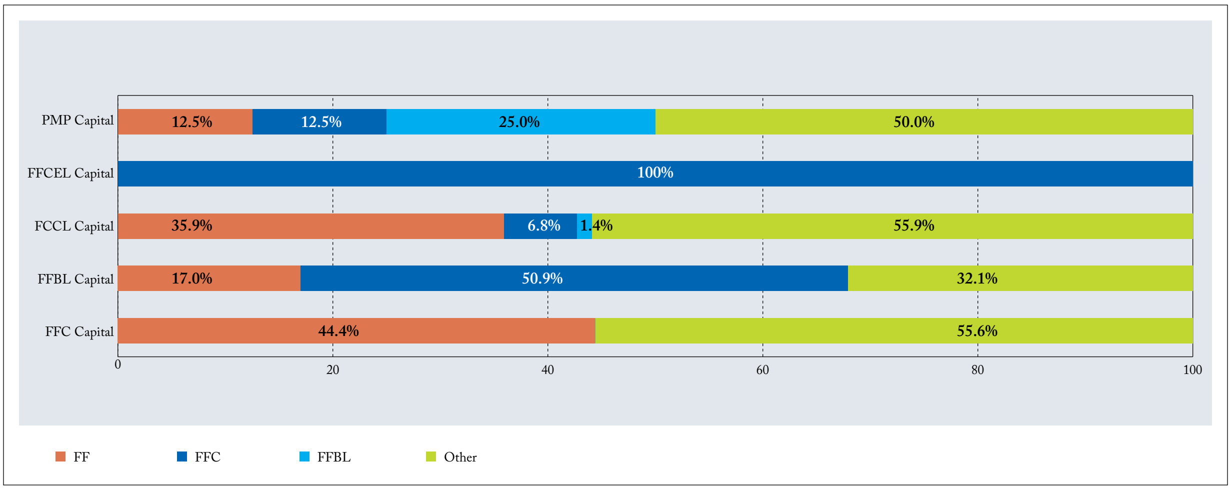
FFC was selected by the Pakistan Center of Philanthropy for the "Corporate Philanthropy Award" 2011 and won fourth position in terms of volume of monetary donations.

Mr M Usman Umar receiving the overall Best Corporate Award 2011.

Mr M Usman Umar receiving the award for Third Position in the Best Sustainability Report Award 2011.

Brig Munawwar Hayat Niazi (Retired) receiving the Forth position award in Corporate Philanthropy Awards 2011.

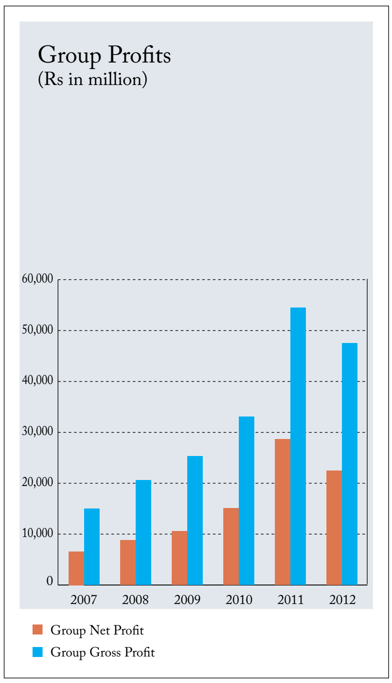
Directors' Report
Financial Review

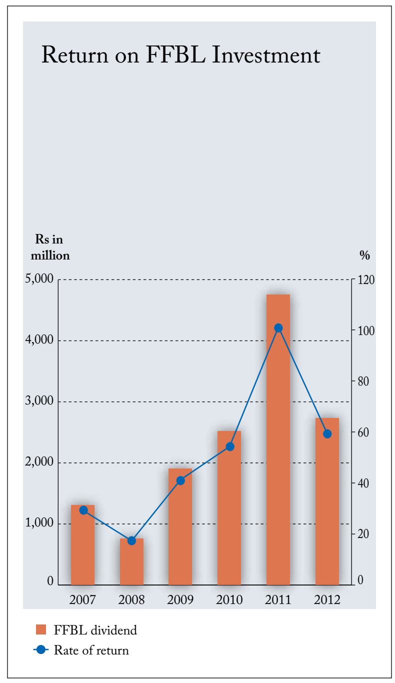


Consolidated Operations & Segmental Review

Financial statements of the Group reflected decline in consolidated profitability by 21%. Group sales revenue was recorded at Rs 122,252 million while net profit was registered at Rs 22,493 million compared to Rs 28,641 million in 2011.

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





Fauji Fertilizer Bin Qasim Limited (FFBL)

FFC holds 50.88% ownership rights in FFBL, amounting to Rs 4,752 million. From the date of investment, FFBL has paid cumulative return of Rs 16,230 million. This year, the annual cash return on this investment was Rs 2,733 million, approximately 42% lower than last year due to decreased FFBL's profitability amid ongoing gas curtailment. The company produced 281 thousand tonnes of Sona Urea (Granular) and 648 thousand tonnes of DAP which were sold by FFC Marketing Group, earning FFBL Rs 47,911 million as sales revenue. Net profit of FFBL was recorded at Rs 4,338 million with an EPS of Rs 4.64.

FFBL share in the urea market declined from 7% last year to 5%, whereas, its share in the DAP market reduced to 52% as compared to 59% in 2011.

Overall DAP market improved by 3% largely attributable to increase in imports.

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

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

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

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

Fauji Cement Company Limited (FCCL)

Up to September 30, 2012, end of its first quarter of the year 2012-13, FCCL earned Rs 361 million as net profit after tax as compared to Rs 104 million in the same period last year. The additional production line with capacity of 7,560 tonnes per day (TPD) has started commercial production during the year taking the total capacity from 3,885 TPD to 11,445 TPD.

FCCL product carries premium in the market for its fine quality and is mostly preferred in mega projects including dams, bridges, motorways etc. Capacity enhancement by FCCL has resulted in enormous increase in annual sales of 2011-12; 157% in domestic dispatches and 13% in exports.

With completion of its capacity enhancement project, FCCL is well placed to increase its domestic as well as international market share, resulting in growth and profitability in years to come.

FFC Energy Limited (FFCEL)

By the grace of Allah, construction activities have been completed and the project has been formally inaugurated on December 24, 2012.

The project has entered into test run phase during which various safety and operational standards are being tested. Moreover numerous parameters pertaining to wind flow and electricity generation are also being monitored.

Although the project has already started supply of electricity to National Grid, its commercial launch is expected early next year, leading to revenue generation.

Subsequent Events

Board of Directors is pleased to announce a final cash dividend of Rs 5.00 per share i.e. 50% for the year ended 2012, taking the total payout for the year to Rs 15.5 per share i.e. 155%. Movement from unappropriated profit to general reserve of Rs 1,300 million was also proposed in the meeting held on January 23, 2013.

Meeting of the Board of Directors of FFBL was held on January 11, 2013, in which a final cash dividend of Rs 2.25 per share i.e. 22.5% was declared.

Total FFBL payout for the year was Rs 5.00 per share i.e. 50%.

Internal Audit

"With commitment to integrity and accountability, internal auditing provides value to Board of Directors and the top Management as an objective source of independent advice."

Mohammad Shuaib
Chief Internal Audit

In line with the requirements of Code of Corporate Governance, the Company has established an independent Internal Audit function headed by General Manager Internal Audit who functionally reports to the Audit Committee and administratively to the Chief Executive / Managing Director.

During the year, particular emphasis was placed on strengthening internal controls and revamping Internal Audit function due to significant importance placed in this area. The function has been further strengthened by placement of professionally qualified personnel during the year to accomplish the desired objectives in more effective manner. With these significant changes, the audit function has paved its way for the much desired strategic stature in the organization.

The Board of Directors has been assigned the responsibility to ensure that Management maintains an effective system of internal controls, which provides reasonable assurance in all material respects of efficient and effective operation of controls. However, the overall objective of the Internal Audit function is to provide at all levels of the Management and the Board of Directors with an independent assessment of the quality of the Company's internal controls and administrative processes and make recommendations for continuous improvement.

During the year, the Internal Audit function carried out its activities in accordance with its approved Audit Program and made its recommendations for value addition and improvement in existing internal controls / operations. Further, particular emphasis was placed on newly implemented SAP-ERP system to test its functionality, efficiency of the system and efficacy of in-built internal controls. All the significant findings were presented to the Audit Committee for timely cognizance of the observations / recommendations concerning the system of internal controls.

Internal Audit function has played a vital role in improving the overall control environment within the organization. It is also acting as an advisor to other functions for streamlining systems in addition to ensuring effective implementation of Company's policies and suggesting procedures for revenue maximization and cost savings.


Risk
Threat
Asset
Vulnerability

Operational Performance

"Our production facilities are continuously upgraded to achieve the optimum level of efficiency, hence contributing to our long term goals of energy conservation and output maximization."

Mr Tahir Javed
Group General Manager
Manufacturing & Operations

Performance of all three plants was outstanding with aggregate output of 2,405 thousand tonnes of 'Sona' urea, maintaining the highest standards of product quality, signified by our brand 'Sona'. Despite continuing gas curtailment, total production was marginally higher than last year, utilizing 117% of our combined nameplate capacity of 2,048 thousand tonnes.

While the total demand stood at 5,276 thousand tonnes, local production suffered a massive decline of 15% from last year, generating only 4,156 thousand tonnes, 58% of which was represented by FFC production.

Plant I & II

Both plants at Goth Machhi performed efficiently during the year, producing 1,571 thousand tonnes, at 118% of design capacity. A marginal decline from last years production of 1,625 thousand tonnes is primarily due to 17 days planned maintenance turnaround of Plant II.

The operating plant load was around 10% lower mainly due to the continuation of natural gas curtailment during the year.

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

BMR Natural Gas compression Phase-III at Deh Shahbazpur

Supply of adequate natural gas pressure is of utmost importance to sustain prevailing level of urea production. Existing four compression units, installed at Deh Shahbazpur site in 2009, will lose their effectiveness by the end of 2013 due to declining well-head pressure at Mari gas fields. Accordingly, installation of a new compression system to supplement the existing units was initiated preemptively, to avoid production losses. New compression system would be implemented in two parts, of which, special budgetary allocation for part-1 has already been obtained. Procurement of new compressor / engine package is being initiated in line with detailed engineering of the project.

Turnaround-2012

The 10th maintenance turnaround of Plant-II was safely undertaken in March 2012. By the grace of Almighty Allah, urea production resumed after 16 days against stipulated duration of 17 days. Major jobs handled, to improve reliability and energy efficiency, during turnaround were:

Urea reactor relining

Urea reactor is lined with urea grade material to sustain the highly corrosive process environment. Relining of three shell courses was performed to improve mechanical health of reactor lining. The job was the critical path activity of turnaround, which was completed in 13.5 days with excellent pre-arrangements and meticulous planning.

Ammonia converter shell crack repairs

In December 2011, synthesis gas leakage was experienced from the reactor shell, for which an interim repair was made at that time to reduce the downtime and extend safe plant operations until turnaround-2012.

For long-term reliability, a special repair procedure was safely carried out with the recommendation of Original Equipment Manufacurer General Electric - Italy precisely within the stipulated time.

Primary reformer burner blocks replacement / refractory repair

Primary reformer is one of the largest and critical equipment of Ammonia plant. Damages to refractory walls and burner blocks were observed during TA-2010. The job was successfully carried out involving replacement of 45,000 refractory bricks & 137 damaged burner blocks, enhancing the operational reliability of reformer.

Plant-II Emergency Shutdown (ESD) system project

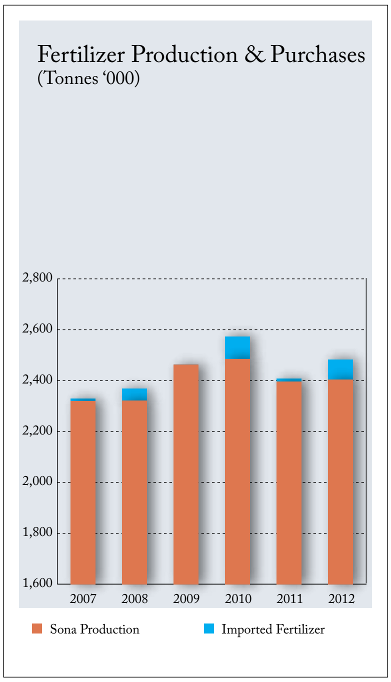
This was another major activity of the TA-2012. PLC based HIMA emergency shutdown system had been in service since commissioning and had been declared obsolete by the OEM. During the last two years, the system malfunctioned many times and caused plant shutdowns.

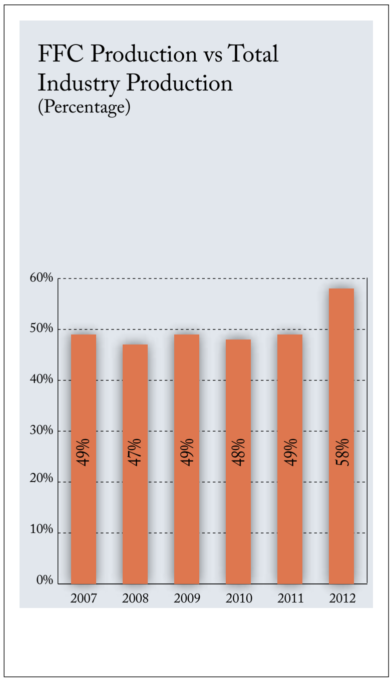
Meticulous resource planning, efficient time management and diligent efforts for the replacement of old system with state of the art "Triconex" ESD System, enabled successful commissioning followed by a smooth plant start-up.

Replacement of Medium Temperature Shift, R-4203 Catalyst

Medium Temperature Shift catalyst was replaced with the pre-reduced copper oxide catalyst for the first time, to decrease the reduction time of the catalyst by around 2 days. Specialized equipment was used to improve the working environment inside the reactor during change-out activity.

Directors' Report
Operational Performance





Overhauling of CO_2 Compressor's Turbine

Overhauling of the turbine was carried out as per preventive maintenance schedule. New rotor of the turbine along with modified oil seal was installed to address the problem of oil charring, thereby eliminating the intermittent vibration excursions on this machine being observed since commissioning.

Quality Management System

Re-certification of Quality, Occupational Health & Safety and Environmental Management Systems with respect to the requirements of ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004 international standards was successfully accomplished during the year.

Plant III

Plant III accomplished new heights of operational excellence by setting benchmarks for years to follow. 835 thousand tonnes of Sona Urea was produced, exceeding last year's production of 771 thousand tonnes by 8%.

This landmark has been achieved through continuous improvement in plant reliability and optimum use of available natural gas.

Ammonia plant achieved continuous run of 390 days, ever highest in the fertilizer industry of Pakistan setting new standards in plant operational continuity. Urea plant accomplished continuity record of 237 days against previous of 156 days in the year 2011.

Energy conservation measures did not only offset the impact of gas curtailment, but also considerably improved plant energy index resulting in Rs 111 million savings in gas bills compared to previous year.

Additional production gain from saved natural gas approximates 32 tonnes per day.

Operation of new Vibro Priller in September 2012 significantly enhanced 'Sona' urea product quality.

Our continuous stress on work environment safety helped achieving 12.20 million man-hours of safe operations at Plant III.

Integrated Management System

All management systems and procedures were re-certified by the certification agency (Bureau Veritas Certification) after audit in November 2012.

Plant Shutdown, June 2012

There was 87 hours of shutdown planned in June 2012, during which the following important tasks were accomplished:

- High pressure stages rotor and damaged seals of CO_2 Compressor were replaced to improve reliability, safety and energy efficiency.
- Synthesis Compressor, first stage axial thrust tilting pads were inspected. Deep scratches were observed and the pads were replaced.
- Couplings & bearings of ammonia compressors were inspected and damaged components were replaced.
- Leaking segment of waste heat steam production coil was replaced with new insulated tube to improve reliability.
- Urea reactor outlet control valve was repaired to optimize performance.

When it comes to the safety of our workforce, we believe in investing in the best operational procedures.

Operational Performance

- Auxiliary Boiler inspection was performed by GOP inspector with no observations.
- Desulphurizer Catalyst was replaced on completion of its useful life.

Other noteworthy activities during the year were as follows:

- New urea bags handling system, suitable for loading of trucks and railway wagon, was installed at Bagging & Shipping unit, after making modifications to loading site in consultation with vendor.
- Overhauling of turbo-generator was carried out after 14 years of continuous usage to ensure efficient and reliable operations.
- In view of declining gas pressure, natural gas compression unit has been ordered to sustain plant operations. Project will be commissioned in 2014.
- Inspection and repairs of ammonia sphere were performed to ensure integrity of the most hazardous storage vessel under special safety arrangements.
- Repair and maintenance of diesel storage tank for stand-by power generator was carried out for the first time since plant commissioning.

Occupational Health & Safety (OHS)

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

Community Awareness and Emergency Response (CAER) program

Being a socially responsible organization, FFC considers its prime responsibility to keep the neighboring stakeholders aware of operational hazards and mitigation measures designed to minimize their effect.

Two awareness sessions were held during the year for the surrounding community at Sona Goth and Basti Ahmed Khan; with 120 and 300 participants, respectively. Volunteers were also trained to deal with ammonia disaster.

Occupational health & safety highlights 2012:

FFC stood 20th among the 64 participant in the International Fertilizer Association (IFA) survey 2012.

UN international day on April 28th, organized by International Labor Organization in remembrance of the workers killed, disabled, injured or made ill by their work, was celebrated with a large number of employees from all departments. Various activities performed during the day are listed below:

- Health & Safety walk,
- Fire fighting & rescue equipment exhibition,
- Commitment signature campaign, and
- Interdepartmental speech competition on safety.

Health and safety trainings conducted during the period are listed below:

- Rescue and first aid training sessions for 96 participants.
- Rescue training for fire squad members in collaboration with Rescue 1122 at Rahim Yar Khan.
- Fire fighting training of 464 employees.
- Workshop on "Good Parenting" for all employees.
- Training program through Motorway Police for more than 80 female residents to create awareness about traffic rules and driving skills.
- Safety induction training program for new employees and contractors' manpower were held; until now 4,643 participants have been trained.

Gymnasium facility in Head Office

FFC has recently inaugurated its newly built state of the art gymnasium facility at Head Office for all its employees. In addition to providing the best in line work out equipment under highly trained and experienced supervisors, the gym also provides an opportunity for employees from various departments to interact and socialize.

Environment Protection / Effluent treatment

Environment is held sacrosanct, with the plants conforming to the international standards of environmental protection and effluent disposal.

FFC plays a pioneering role in the Country by ensuring that all the waste disposals are in strict conformity with National Environmental Quality Standards and international standards. Vigilant monitoring and control of daily plant operations is adopted to maintain a clean environment for plant personnel as well as the surrounding communities.

Installation of geo-membrane in the evaporation pond is in process to avoid contamination of underground water.

Following projects with an overall estimated investment of Rs 547 million are planned to improve the environment footprint:

- Upgradation of the ammonia condenser to minimize ammonia losses.
- Revamp of the urea process condensate treatment section to recover the condensate as boiler feed water.
- Installation of ammonia recovery unit to recover ammonia from the synthesis loop purge stream.

World Environment Day Celebration

To demonstrate our commitment towards the environment, "World Environment Day" was celebrated on 5th June, 2012 at FFC's plant site.

Technological Advancements

"Improvement being the only option to survive and grow in this evolving world, our focus on adopting new technologies for efficiency enhancement and energy conservation keeps us ready to embrace the future."

Syed Iqtedar Saeed
Group General Manager
Technology & Engineering

Gas curtailment poses an enormous challenge to FFC to maintain its production and business edge over competitors. Technology & Engineering Group (T&E) has been endeavoring to meet this challenge through continuous efforts to mitigate the curtailment by keeping constant liaison with concerned Government ministries.

Natural gas pressure from Mari field is declining at an estimated 30 psi/annum, anticipated to reach a value of around 200 psig by 2019, seriously limiting the natural gas flow. To counter the immediate effects of the declining pressure in addition to gas curtailment, a multipronged approach has been adopted through installation of natural gas pressure boosting compressors for Goth Machhi complex while efforts to install further compressors in tandem (upstream of the existing compressors), in addition to one compressor for Mirpur Mathelo, are underway.

Alhamdulillah, FFC's performance during the year 2012 has been exceptionally well keeping in view the foregoing natural gas scenario. FFC is fully committed and capable to confront this scarce natural gas situation by execution of various energy efficiency projects and plants' revamps, spearheaded by T&E group, to make best use of the available resources.

To complement the low availability of natural gas, T & E is also actively involved in the identification of alternate energy sources. Engineering and feasibility studies are being reviewed for coal fired boilers to augment the steam generation and thereby save precious gas for production of urea. In the first phase, procurement of one coal fired boiler with a capacity of 140 ton/hr will be done in 2013. This new boiler is planned to come online in 2015 followed by another boiler in 2017.

T&E group endeavors to work for the efficient functioning of all the three old vintage plants by carrying out technical audits throughout the year for sustenance of productivity. The plants have operated at higher than designed capacities and lower specific energy consumptions of 6.56, 5.75 and 6.23 Gcal / tonne of Urea for Plant I, II, and III respectively.

In 2012 the following important projects aimed at energy efficiency and reliability improvement were pursued which are at various stages of completion:

Plant I & II, Goth Machhi:

- Natural Gas Compression – Phase III
- Ammonia Converter Basket replacement
- Up-rate of Boiler Feed Water Pre-heater
- Ammonia Recovery Unit

- Cooling Tower up-rate (one new cell)
- Urea PCT Section upgradation
- Desulfurizer Temperature Control through splitting of NG coil
- Carbamate Ejector replacement

Plant III, Mirpur Mathelo

- BMR-Natural Gas Compression facilities
- Rehabilitation of coil for exchanger
- Replacement of super-heaters for boiler
- Revamp of Ammonia Separator
- Air Compressor third stage Knock-Out Vessel up-rating
- Fitness for service evaluation of Carbonate Solution Vessel & its replacement

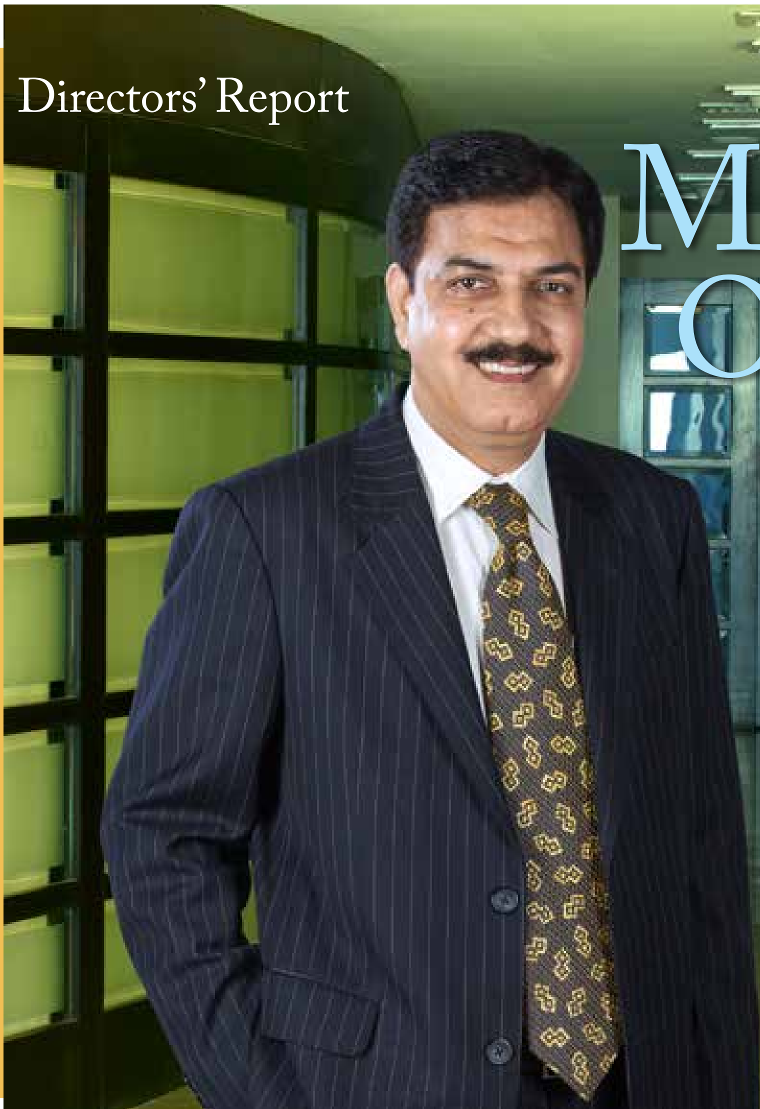
T&E group has also participated in efforts to increase FFC's business portfolio and growth through diversification, including the following projects which have either been completed or are under study:

a- 50 MW Wind Power project (FFC Energy) has recently been commissioned in Jhimpir coastal area.

b- Study of Thar coal reserves in the Country to implement coal gasification / power projects. FFC is of the view that development of Thar coal is a big challenge to be dealt jointly with other big players in the Country.

c- Evaluating the possibility to set up an overseas fertilizer project in gas rich countries, through utilization of the vast technical expertise and engineering skills available in T&E group.

d- Study of the changing dynamics of solar power projects in the world. We have installed our own solar irradiation monitoring equipment at our wind power project. This state of the art equipment is gathering round the clock solar data which will be used for evaluating solar plant design.



Market Overview

"Our willingness and ability to prepare for our customers' long term needs, combined with the knowledge of our sales team and the strength of our distribution system, helped us remain the market leader during the year."

Mr Munir Malik
General Manager Marketing

International Fertilizer Market

Food availability needs to keep pace with the expanding population to ensure survival and healthy growth of human race. Countries all over the globe are focusing on modern farming techniques to increase yields and hence get more food from the already cultivated land, emphasizing the need for fertilizers.

Overall fertilizer consumption during 2012 is estimated at 176 million tonnes, with an increase of 2.8% over last year. The year started with slightly lower prices of US$ 390-400 ex–Middle East but gained momentum towards the end of the first half, with prices surging to US$ 530-540. This improvement in prices, however, was short lived and urea price declined to close around US$ 395-400 at the year end. Following a similar trend, international DAP price, which was US$ 525-545 ex-US Gulf at the start of the year, soared to a peak of US$ 565-575 by the month of June, followed by a gradual decline to US$ 495-500 per tonne at the end of the year.

Euro zone economic stress, socio-economic issues in Asia and Africa and political upheaval in Middle East affected international fertilizer demand, while late arrival of monsoon delayed the fertilizer application in South Asia. First half of the year remained bearish with lackluster demand. However, food security remained high on the policy agenda.

With rising food prices, import bills are surging and countries all over the globe are focusing on enhancing grain production by emphasizing fertilizer usage. Rising food crop prices also provided a strong impetus to fertilizer consumption.

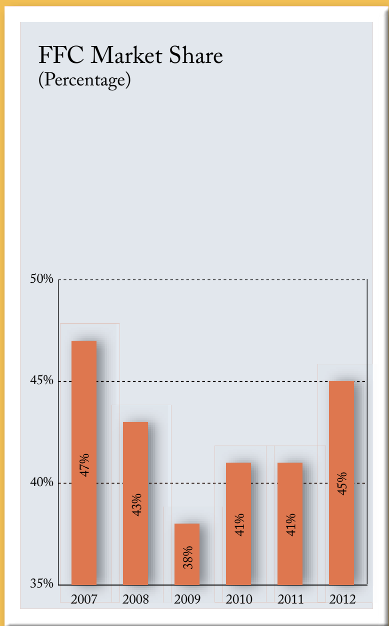
Domestic Fertilizer Market

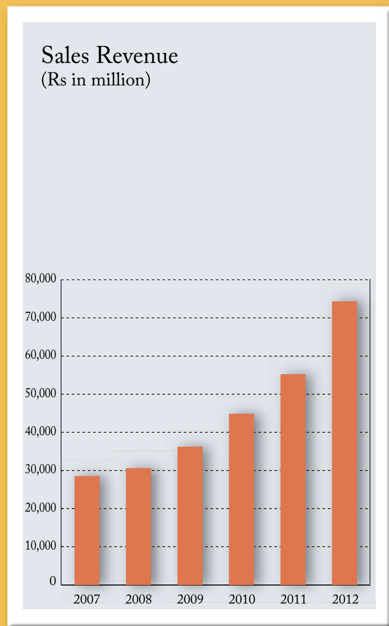
Urea inventory of 368 thousand tonnes at beginning of the year was at its peak during the last ten years, 122% above last year.

Indigenous urea production continued to suffer from gas curtailment as only 4,156 thousand tonnes of urea was produced during the year against installed capacity of around 6.9 million tonnes, 15% lower than 2011, creating a huge demand supply gap.

Untimely urea import kept on adding to urea inventories, resulting in an oversupplied market in the Country. Supply dominated the market, which coupled with excessive subsidy, adversely affected local prices, causing a drastic decrease in the profit of the dealers to the extent of completely wiped out margins in some areas.

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





Sales performance of FFC was excellent during the year, selling almost all of the available produce and earning Rs 74 billion in sales revenue, 35% higher than last year. Sona Urea, being our primary product, contributed 93% to the total sales while the other products contributed the residual 7%.

This led to the inventory buildup of around 1 million tonnes by the end of November, highest in the history of fertilizer industry.

Dealer transfer price of urea was increased in January 2012 by Rs 215 per bag on account of gas price increase and the imposition of GIDC from January 01, 2012. The news of imposition of advance income tax on fertilizer sales from July 01, 2012 along with reduction in urea prices by Rs 145 per bag by the local manufacturers boosted the urea sales across the million tonnes mark in June 2012, the highest ever monthly sales in the history of urea industry.

Overall net increase of urea price over the year was Rs 70 per bag. Moreover, GOP imposed advance income tax @ 0.5% of the selling price from July 01, 2012, adding to the burden of final consumer. Collection of said tax was subsequently suspended on December 24, 2012.

Urea sales were low in the third quarter due to ongoing post monsoon rains and flash floods in southern Punjab, upper Sindh and some parts of Balochistan. Regular imports of urea by GOP, coupled with lower off take resulted in inventory accumulation.

Industry urea sales for 2012 are estimated at 5,276 thousand tonnes showing a decline of 11% against 5,926 thousand tonnes of last year. GOP imports for the year are estimated to be 1,168 thousand tonnes, 6% lower than the imports of 1,241 thousand tonnes during last year. Urea inventory at year end is estimated at around 376 thousand tonnes; almost same as the opening inventory.

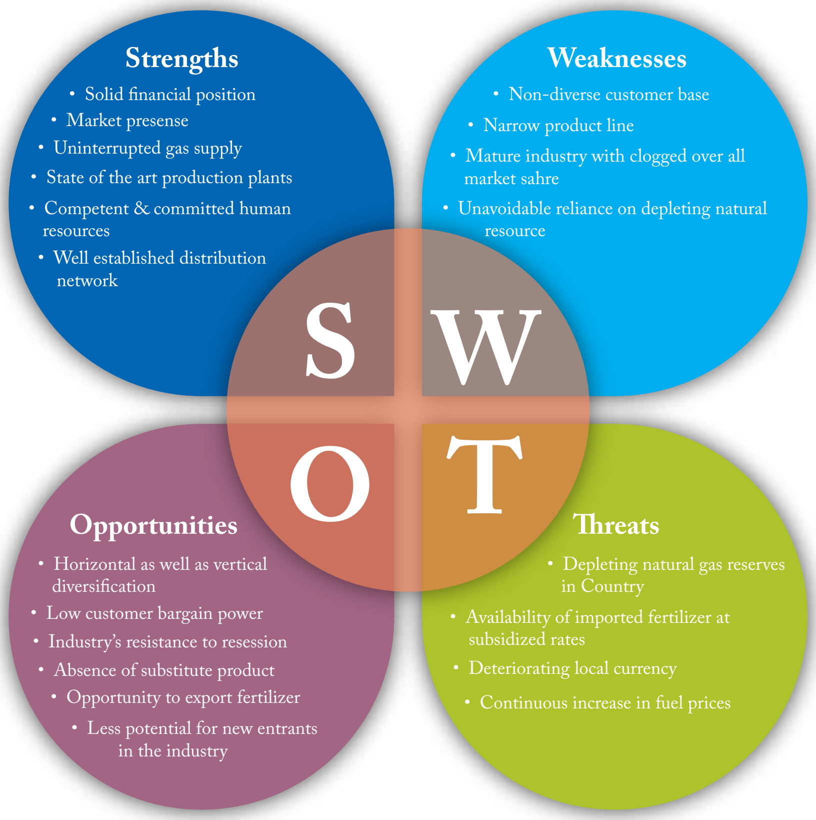
DAP market entered year 2012 with opening inventory of 92 thousand tonnes, significantly higher than 19 thousand tonnes opening inventory of 2011. The domestic market is estimated at 1,174 thousand tonnes, with an increase of 3% over last year.

FFC Marketing

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

Delayed harvesting of wheat, incorrect weather forecasts and flash floods continued to depress the market, only to be further aggravated by frequent rumors of price reduction, playing on the minds of our customers as well as farming community.

Market Overview



FFC sold 2,399 thousand tonnes of 'Sona' urea, almost the same as last year, showing excellent response to timely perceived market challenges by our sales team. June 2012 registered an all time record 'Sona' urea off-take of 526 thousand tonnes while 415 thousand tonnes were recorded in December 2012.

Imported DAP sales by FFC stood at 67 thousand tonnes against nil sales last year. Marketing of imported SOP was registered at 6 thousand tonnes compared to 10 thousand tonnes last year due to lower imports. Sona Boron sales at 212 tonnes remained at last year's level.

Marketing of Sona Urea (Granular) on behalf of FFBL at 279 thousand tonnes was 36% lower than last year due to heavily impaired production amid extensive gas curtailment during the year. Sona DAP produced by FFBL recorded sales of 611 thousand tonnes as compared to 662 thousand tonnes last year.

During the year 2012, the combined urea market share of FFC / FFBL grew to 51% from 48% last year. However, the combined DAP market share remained static at around 58%. [Source: NFDC]

Our efforts for continuous education of farmers remained a priority as depicted by an increase of 15% in the funds allocated for the purpose. To this end, our Farm Advisory Cells focus on educating farmers about the balanced and timely usage of various available fertilizers according to soil conditions.

We aim for a self reliant agriculture sector with increased yields, enabling our Country to match international yield benchmarks besides meeting local demand, in addition to extending surplus agricultural produce across the borders to earn precious foreign exchange.

Risk & Opportunity Report

Fertilizer market dynamics bring new opportunities and challenges every day. Risks by nature contain a certain level of uncertainty which require us to be vigilant in identification of these risks for timely formulation of mitigating strategies. Major risks and opportunities which FFC can face are categorized below:

Risks:

1. Changes in legal framework by regulatory bodies including gas curtailment, axle load management, tariff enhancement, and imposition of additional tax and other charges.
2. Pricing pressures forcing cost cutting.
3. Market risks including fluctuation in commodity prices of agricultural produce affecting liquidity of customers.
4. Weather uncertainties including floods, water availability and drought.
5. Supply of TCP imported urea.
6. International market situation with reference to phosphatic and potassic product prices.
7. Expansion of Government's role with respect to price regulation and off-take monitoring.
8. POL prices.
9. Shrinking profit margins due to increase in production and distribution costs.
10. Deteriorating Law & Order situation.

Opportunities:

1. Increase in fertilizer use to secure food for a growing population and obtain optimum yield on hybrid / high yield seeds.

2. Growth in demand due to increase in produce prices.
3. Smooth distribution of product using new technologies, e.g. tracking of vehicles and bar coding.
4. Expansion in product line by introducing micro nutrients like Zinc Sulphate.

Consumer Protection

The following steps are taken to safeguard our consumers against financial and mercantile loss:

- Standard weight of fertilizer bag is ensured.
- Regular quality analysis of product samples is performed on the following parameters:
  - Average Prill Size, mm
  - Biuret, wt%
  - Moisture, wt%
  - Crushing Strength, gm
  - Total Fines, wt%
- Packaging of product is one of the best in the industry to ensure weight, quality and nutrient protection.
- Our widespread dealer network ensures product delivery at the doorstep of the dealers all over Pakistan.
- Field Officers at our well established and strategically located regional and district offices are well groomed for prompt handling of any complaints while providing guidance to the consumer at the same time.

Province wise sales performance

'Sona' sales during the period remained almost consistent with last year showing only a marginal decrease.

CE & MD's visit to Farm Advisory Center, Muzaffargarh.


Visit of GM-M to cotton demonstration plot laid by Farm Advisory Center, Bahawalpur.

Turnover of fertilizer is highest in Punjab due to better fertility of land and developed irrigation system. This year 1,625 thousand tonnes of 'Sona' urea was sold in Punjab as compared to 1,600 thousand tonnes last year, registering an increase of 2%.

The province of Sindh, the second largest consumer of fertilizer, witnessed a decrease in 'Sona' urea sales during the year. Total of 337 thousand tonnes were sold in comparison to 406 thousand tonnes last year, a massive decrease of 17%, due to consumer preference for subsidized imported fertilizer available at lower price being in close vicinity to Bin Qasim Port, Karachi.

Sales in Khyber Pakhtunkhwah at 270 thousand tonnes increased by 4% compared to last year.

Balochistan remained the lowest sales region due to scarcity of arable land. However, sales in this region showed an increase of 19% over last year, a healthy sign for the province's agriculture sector.

Sales of FFC's imported fertilizer registered an overall increase of over 6 times throughout the Country, mainly due to abnormally lower fertilizer imports last year.

Human Capital

"Human resources are like natural resources; often buried deep. We strive to seek out these individuals and provide them an opportunity to prove themselves in a nurturing work environment ."

Brig Tariq Javaid (Retired)
Senior Manager
Human Resources

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

To further improve effectiveness of business as well as human resource processes, FFC has implemented state of the art ERP solution (SAP) across the organization. The implementation of HR modules of SAP has streamlined employee database management by providing swift yet reliable employee information. SAP has thereby reduced decision making time for Management, resulting in enhanced Organizational efficiency.

Succession Planning

FFC not only attracts the best talent in the Country but also grooms and develops their abilities for future leadership roles. The organization believes in empowering people by providing them with challenging opportunities to enhance their potential and develop their abilities. Clear roles and job descriptions are defined, based on which, succession plan is prepared for sensitive and critical positions in the Organization.

Employee Retention

FFC prides itself to be included amongst the leading employers of the Country. Our employees are our biggest assets and we go to great lengths to facilitate them. The compensation and benefit policies are designed not only to keep the employees motivated but also to attract and retain the competent and valued workforce. Annual turnover of employees over last few years has been just around 5%, which is a reflection of highly engaged and motivated employee base.

Employee Benefits

We value our employees and their contribution toward the Company's success. The total employee cost for the year, comprising of salaries, wages and other benefits amounted to Rs 5,475 million, 11% higher than last year.

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

Career Management

Employees' career management is managed through utilizing a multidimensional approach. Performance management and annual appraisals are important part of career management. Technical as well as managerial trainings, offered both locally and internationally, are provided to make employees aware of the latest trends in their respective areas and to better equip them to perform their assigned responsibilities. Additionally, job rotation and job enrichment is continuously done to enhance employees' exposure across different functions.

The Company provides training to various disciplines and with a view to extend support to the Accounting & Finance profession as part of our Corporate Social Responsibility, the Company has also undertaken Management Training of ACCA Affiliates enabling them to obtain their certification as qualified members of ACCA under the Platinum (Top) Category of "Approved ACCA Employer Program".

Retirement Benefit Plans

FFC not only takes care of its employees while they are working with the Company but also looks after them after their retirement. Multiple retirement benefit plans are in place to take care of outgoing employees, through which a total of Rs 282 million was paid to the outgoing employees during the year. Retirement benefit funds of the Company were valued at Rs 5,553 million, showing an increase of Rs 1,008 million compared to last year. As per the latest audited accounts for the year ended December 31, 2011, detail of investments made by these funds is as follows:

Fund	Amount (Rs in millions)
Provident Fund	2,302
Pension Fund	1,377
Gratuity Fund	934

Employment of special persons

As a socially responsible corporate entity, FFC provides employment opportunity to special persons and dependents of deceased or incapacitated employees in a supportive environment for mutual growth.

Business ethics & anti-corruption measures

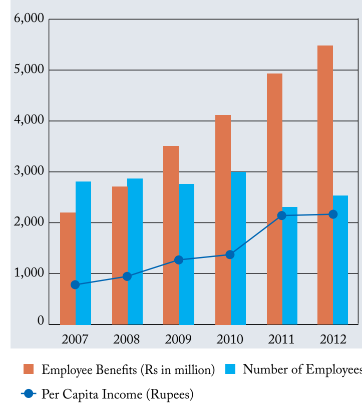
FFC ensures ethical compliance with all regulatory and governing bodies while conducting its operations. A code of conduct has been developed and built into the foundations of the Company.

Salient features of the code of conduct are:

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

Implementation of the Code of Conduct is one of the strategic goals of the Board to embed ethics, morality, principles, values and standards in the everyday activities of the Company, Directors and employees promoting a good corporate culture.

Number of Employees and Employee Benefits



Employee benefits including salaries, wages and other monetary benefits paid to our employees during the current year stands at Rs 5,475 million while those paid as post retirement benefits amount to Rs 282 million.

Human Capital

Relationship Management

Employees

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

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

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

Customers

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

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

Industry

By the grace of Almighty, FFC has established itself as a stable and mature organization. Our technical strength enables us to extend a lending hand to other industries. Our Technical Training Center continued to extend customized training services to other companies during the year.

Investors

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

General Public

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

Government Authorities

As a policy matter, the Company abides by all the laws and regulations prevailing in the Country, which helps in maintaining a healthy relationship with Government authorities. As a responsible corporate citizen, Company has paid a total of Rs 204,200 million as tax and other levies since inception to the National Exchequer.

The main catalyst for our growth is the knowledge, skill and experience of our people.

Corporate Social Responsibility

"We know that the profitable growth of our Company depends on the economic, environmental and social sustainability of the communities around us."

Brig Fiaz Ahmed Satti (Retired)
Chief Coordination Officer

We envision, initiate and successfully see through the interventions in the field of sustainable and responsible business practices, setting up precedents for others to emulate. FFC duly realizes its role in empowerment of underprivileged communities, employee welfare, safe industrial operations and alignment of Company policies and practices in line with globally recognized principles.

Sustainable and responsible development has remained our primary concern since inception. Today, FFC is running sizeable CSR program in Pakistan covering various sectors requiring foremost attention, including exemplary interventions in the areas of education, healthcare, poverty alleviation and environmental protection.

FFC CSR Objectives

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

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

Contribution to Society

Reconstruction of villages affected by 2010-11 floods

As a responsible corporate citizen, FFC took an initiative to take part in rehabilitation and reconstruction of villages affected by devastating floods across Pakistan in 2010-11. Mohib Shah, Muazza Chacharan and Chuttoo Chachar located in the proximity of FFC plant sites were selected for the rehabilitation program with the allocation of Rs 102 million for the project, including construction of 207 houses in partnership with Pakistan Red Crescent Society. With the construction of 140 houses nearing completion in Chuttoo Chachar, and commencement of construction of 46 houses at Muazza Chachrana and Mohib Shah, we expect to complete

the entire project in the first quarter of 2013.

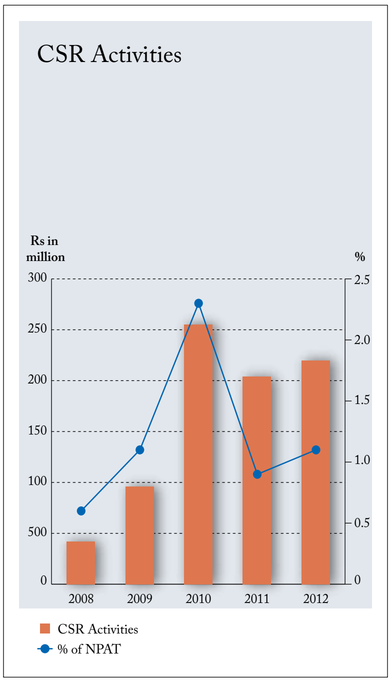
Community uplift and support program at Jhimpir (District Thatta)

FFC CSR has launched a community uplift and support program, in partnership with NORDEX, at Jhimpir during the year, focusing on villages surrounding FFCEL wind energy farm. The program, with an estimated cost of US$ 100 thousand, is focused on upgradation of health facilities, rehabilitation of educational infrastructure, provision of clean and safe drinking water and uplift of native farming community in the surrounding villages.

Construction of a 3 room ward for Jhimpir Town BHU, the sole health facility for 37,000 residents from surrounding communities, is underway, along with provision of water supply and water storage facility, installation of electric water cooler for patients and construction of washrooms.

Jhimpir residents had a long outstanding issue of clean drinking water, the scarcity of which is responsible for various diseases and epidemics among the native population. FFC is installing four water filtration plants at Goth Khameeso Shoro, Goth Umer Chang and Goth Suleman Palari to ensure uninterrupted supply of safe drinking water. Each filtration plant is equipped with 4,000 gallon water storage capacity and has backup generator facility.

In the educational sector, FFC is rehabilitating Girls and Boys Primary Schools at Goth Suleman Palari and Goth Khameeso Shoro respectively. At Goth Umer Chang, a project for rehabilitation of 2km road track is



underway. For assistance of farming community in the proximity of FFCEL wind energy farm, free Sona Urea bags were also distributed among the local farmers.

FFC assistance to locals affected by heavy rains – Goth Machhi

During September 2012 Goth Machhi and the surrounding areas received unprecedented rains, inundating the area and damaging houses and standing crops. FFC promptly launched an assistance program for the locals to dewater their villages and farms, helping them in the rehabilitation process. A monetary assistance of Rs 5 million was also provided to the deserving and needy people to help them resume their normal lives.

Community Investment

Education

FFC is currently pursuing the following educational projects:

School Improvement Program (SIP) -Mirpur Mathelo

In line with our vision to provide quality and affordable educational opportunities to students across Pakistan, we have launched SIP during the year at 10 adopted schools around FFC Plant site, Mirpur Mathelo, in participation with Pakistan Poverty Alleviation Fund (PPAF), with an estimated cost of Rs 60 million to be spent over 3 years. SIP is the most intensive intervention till date by any business corporation in the targeted district, powered by a comprehensive strategy to upgrade the targeted schools, raising their education standard.

In the first phase, PPAF through its partner organization focused its attention on the social mobilization in the community to promote benefits of education. The second phase, currently in progress, features upgradation of infrastructure at adopted schools and provision of resources to schools, teachers and students to assist them in educational activities. Extensive teacher training programs are underway, supervised by experts to impart modern and objective based educational techniques. During the year, assistance in form of school bags, uniforms, shoes, stationery items and educational kits for teachers was provided under the initiative. In the next phase, greater emphasis will be on the educational practices in the schools and capacity building training for teachers.

Construction of education block for Municipal Committee Girls High School -Sadiqabad

Girls High School Sadiqabad is currently serving the educational needs of 1,100 students from surrounding communities. The school administration was facing severe issues to accommodate the increasing number of students, due to limitation of classrooms. FFC filled the deficiency by constructing a double storey building, with 12 additional classrooms at an investment of Rs 5 million, fulfilling its obligation as a responsible corporate citizen.

Uplift program at FFC adopted schools – Goth Machhi

FFC has initiated an infrastructure improvement and uplift program at four FFC adopted schools, located in the proximity of FFC plant site Goth Machhi. This program includes construction of a student hall at Sona Goth Machhi Boys School and upgradation of Government Girls Primary School along with provision of educational aids and resources at an estimated cost of Rs 2.25 million.

FFC Educational Scholarship Programs

Merit Scholarships for students of Sona Public School at Cadet College Ghotki:

Scholarship program for the talented and deserving students of Ghotki was initiated during the year, sponsoring 5 students from Sona Public School (Mirpur Mathelo) for their complete education in Cadet College Ghotki.

FFC Scholarship for Students at LUMS:

We are sponsoring two students for a complete four years Bachelors Degree program at LUMS, including all lodging and educational expenses, amounting to Rs 4.8 million. These talented students were selected by LUMS through its National Outreach Program from Bahawalpur and Quetta.

FFC Wards of Farmer (WOF) Scholarship Program 2012:

WOF scholarship program of FFC provides financial assistance to the deserving and gifted children of farmers across Pakistan. 61 seats are awarded to students from all four provinces and tribal areas on merit basis. During the year, stipend for these students was enhanced to Rs 3,000 and Rs 2,000 per month for higher education and post-metric students respectively. In 2013, FFC plans to expand WOF by giving 12 annual scholarships to MBBS students as well.

Increase in FFC Scholarship Amount:

FFC awards 20 merit scholarships to the students of Mirpur Mathelo and Sadiqabad every year to assist them in acquiring quality education, under Post Metric and Professional Studies categories. In 2012, FFC increased the monthly stipend for students from Rs 500 to Rs 2,000 per month and Rs 900 to Rs 3,000 per month for post metric and professional education respectively.

Construction of Hostel at Special Children School - Sukhar

In 2012, FFC initiated the reconstruction of a hostel for Special Children School at Sukhar. The intervention includes construction of boarding rooms, training hall and general uplift. The facility was severely damaged by floods in 2010 and is the sole facility for special children in Sukhar and Ghotki.

Health Care

Sona Welfare Hospital (SWH) at Mirpur Mathelo was established in 2007, to provide subsidized and free medical treatment to the underprivileged community around FFC plant site. Team of doctors from SWH held 14 free medical camps in remote areas of Mirpur Mathelo to provide medical facilities to the natives, treating 3,000 patients.

Sports Promotion

We are committed to the promotion and development of sports and nurture new talent around our plant sites. FFC has a rich history of being patron of various regional and national sports across Pakistan. In collaboration with Pakistan Touch Ball Federation, we organized National Championship from September 10-12 at Rahim Yar Khan, along with sponsoring 44th National Athletic Championship held in Lahore.

To promote healthy competition among students of FFC's adopted schools, annual sports gala was celebrated, featuring cricket cup between teams of respective schools.

Numerous other sports activities and competitions in District Ghotki and District Rahim Yar Khan were also sponsored by FFC during the year.

Rural Development

Technical Training/ Vocational Centers

Technical Training Center (TTC) - Goth Machhi

TTC has been established by FFC in Goth Machhi, currently offering various courses including apprentice engineers training, staff apprentice training, skill improvement courses, professional courses for engineers,

fertilizer technology courses and other customized trainings.
TTC has the honor of training more than 15,000 professionals in technical courses running under it, not only providing skilled manpower to FFC, but increasing availability of trained workers for other industries as well.

Sona Vocational Center -Mirpur Mathelo

Sona Vocational Center has been established at Mirpur Mathelo for empowerment of women belonging to underprivileged communities. The center offers free courses in tailoring, stitching, embroidery, cooking and beauty care. Till date, 550 women have been trained by the center with 130 new enrollments in 2012.

FFC Agri Support

FFC Advisory Service

FFC shares multiple honors in the development, introduction and implementation of sustainable business practices in Pakistan. Agri Services, launched in 1982, was the pioneer initiative by FFC, under which 56,000 farmers were approached during 2012 taking the total number to a staggering 1.6 million.

Services provided by FFC's agriculture experts include farmers meetings, field days, village meetings, group discussions, crop demonstrations, soil and water testing and micronutrient testing for the farming community in different areas of Pakistan.

Soil Testing is a valuable tool to propagate appropriate and balanced use of fertilizers and to identify soil problems. Soil / water samples are collected from farmers' fields and analyzed in the laboratories, including 5 mobile labs, introduced to facilitate farmers in remote areas.

FFC Research and Development for Farmers

FFC Research and Development section is working with the vision to improve farming culture, through latest agriculture information and technological developments, enhancing farm production and profitability.

In 2012 a research book was published for farmers, titled "Brackish Water Management", and distributed among progressive growers and agricultural institutes across Pakistan. An online 'Fertilizer Use System' was also developed by FFC, providing soil fertility and salinity maps to farmers for enhanced guidance and assistance in farming.

Environmental Protection

Renewable Energy Solution for FFC Sona Public School

Keeping the commitment to UNGC Principles, first phase of installation of solar power energy solution at FFC Sona Public School, Mirpur Mathelo, has been completed, which will power 20 computers and 40 lights through a 6.5 KW system.

Incorporation of UNGC Principles

FFC 1st Sustainability Report 2011

In line with the requirement of UN Global Compact principles and Millennium Development Goals, FFC has published first Sustainability Report in Company's

history, enlightening Company's commitment to sustainable and responsible business practices.

The sustainability report based on Global Reporting Initiative (3.1) has been graded at level B, which is rare for any publication in GRI format for the first year. Moreover, the report has been awarded third Prize by the joint committee of ICAP / ICMAP for 2011.

Support of sustainable business practices & UNGC Principles throughout 2012

We are playing an active role in promotion and support of sustainable and responsible business practices in Pakistan. As a proud member of UN Global Compact, FFC initiated and sponsored various events to promote UNGC principles and inspired other local companies to follow on similar lines.

FFC co-hosted National Global Compact Conference, held in July 2012 at PC Lahore, attracting business experts, entrepreneurs and executives from across Pakistan.

In October 2012 FFC sponsored the National Conference on Responsible Education in Pakistan held at Karachi. The conference was organized by Global Compact Pakistan to bring all stakeholders together in promoting education and implementation of modern curriculum to replace traditional mode of teaching.

Honoring FFC's commitment to sustainable and responsible development for the past 3 decades, UN Global Compact has selected FFC for its case study on sustainable business practices in Pakistan. This case study on FFC will be included in curriculum/ reference in academia and institutes across the globe.

Ten principles of UNGC:

Human Rights

1: Businesses should support and respect the protection of internationally proclaimed human rights; and

2: make sure that they are not complicit in human rights abuses.

Labour

3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

4: the elimination of all forms of forced and compulsory labour;

5: the effective abolition of child labour; and

6: the elimination of discrimination in respect of employment and occupation.

Environment

7: Businesses should support a precautionary approach to environmental challenges;

8: undertake initiatives to promote greater environmental responsibility; and

9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

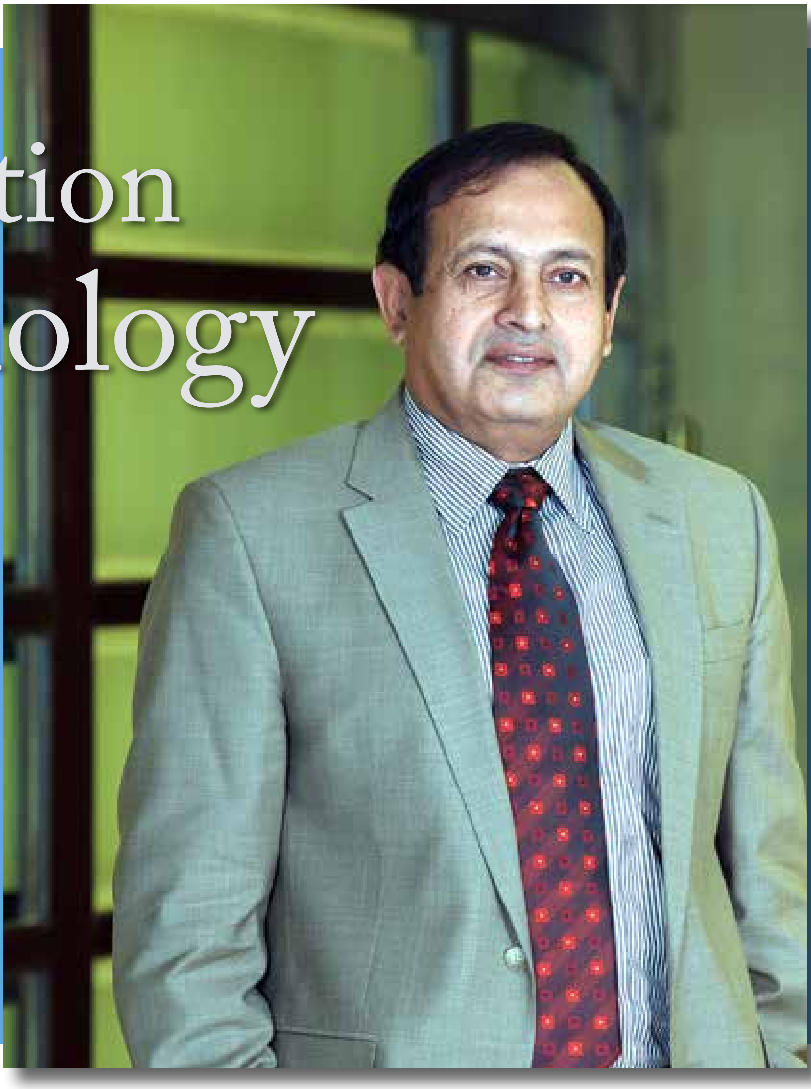
10: Businesses should work against corruption in all its forms, including extortion and bribery.

Directors' Report

Information Technology

"Information Technology and business management are becoming so inextricably interwoven, that it's hard to talk meaningfully about one without the other."

Brig Mukhtar Hussain(Retired)
Chief Information Officer



As processes become more automated, managing the IT function and ensuring that an organization is realizing proper value from its investments in hardware, applications and architecture, is critical for any business to be able to achieve its strategic goals and objectives.

IT governance is an integral subset of corporate governance. It addresses the implementation of processes, structures and relational mechanisms that enable both the business and the IT team to execute their responsibilities in support of corporate value creation, in addition to direction and control of future use of IT.

IT Governance at FFC

IT vision at FFC is designed to complement our corporate vision by business transformation through technological innovation. This applies to automation of processes for optimized performance & introduction of best practices to achieve corporate excellence.

Information Technology Division has rendered active contribution by providing strategy-driven solutions and services built around business objectives. The services and solutions delivered by our IT team satisfy key elements of governance which include:

Strategic Alignment

Strategic alignment is an intense hands-on business redesign process, in which implementation of SAP system aligned our strategic goals, business model, processes and company culture with key business purpose and core values. SAP Business Objects (BO) is designed to optimize business performance by connecting people, information and businesses across networks. SAP Business Intelligence (BI) solution empowers management to make effective and informed strategic decisions based on solid data and analysis.

Regular coordination meetings are organized to assess and review the overall working of IT and identify gaps for continual improvements. These meetings are a great way of ascertaining future projects, augmenting our Corporate Policy.

Value Delivery

A value-based business case enabled by technology was developed and aligned with corporate priorities in addition to a roadmap to mobilize, deliver and measure business results to set the stage for a well run business. Upon introduction of SAP in our professional environment, processing time of documentation has decreased substantially which in turn enhanced productivity and cost reduction. Emphasis on corporate

email system and implementation of e-fax solution has boosted paperless environment in the organization, further enhancing efficiency of the business processes.

Development of career portal has reduced redundancies in the hiring process, while medical record system was implemented to improve patient management and administration.

Resource Management

SAP allows informed and proactive decisions by providing timely and forward-looking information. Access to information, task, and insights relevant to specific job functions is available to SAP users. With availability of better resource management tools and ensuring that the solution works seamlessly, we have helped our people work better, faster and smarter. SAP strengthens and complements management decision making power by optimizing material flows via task execution and resource deployment.

SAP breaks down material movements between tasks and resources and optimizes the sequence in which they are executed, ensuring that the right task is completed by the best resource on timely basis. It also helps to manage warehouse processes more efficiently because of unparalleled degree of process visibility and activity logs.

Risk Management

It is the identification, assessment and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and impact of unfortunate event or to maximize the realization of opportunities. Since SAP is now our core system for business transactions, business continuity is now a prime objective. There are certain risks associated with optimum business continuity such as virus outbreak, power outage, equipment breakdown etc.

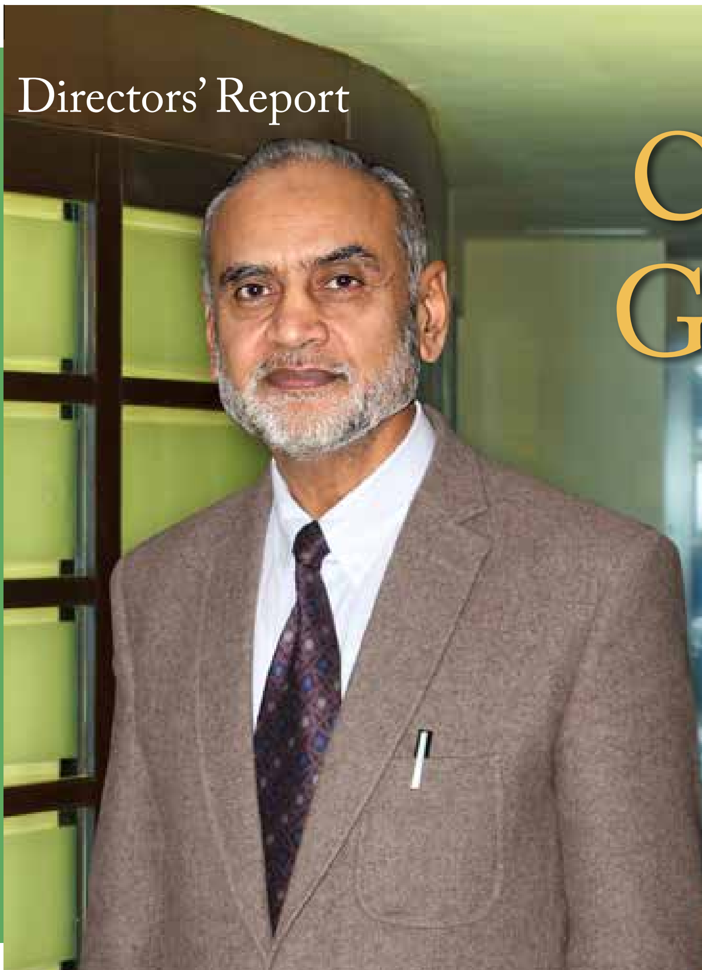
Adequate measures have been undertaken to suppress the associated risks. A state of the art Tier – 3 data center has been deployed with latest networking and computing equipment. Multiple UPS and power generators are in place to overcome issues arising due to power failure. Industry grade antivirus solution, Intrusion Prevention System and firewall have been deployed to restrict virus outbreak in the computing environment. For correlation of various events / incidents occurring on network, a Monitoring, Analysis and Response System has been placed in the network topology. A highly efficient data backup system ensures safeguarding of data against corruption.

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

Certification of ISO 27001 is also underway which will enable FFC to attain excellence in the field of information security with respect to IT systems.

Performance Measures

Acceptance of SAP system by all the stakeholders is a clear indicator that FFC-IT has made a remarkable contribution in terms of achieving business goals and objectives. SAP has clearly reduced overall cost of operations and increased productivity by automating various processes such as PR creation / approval, financial transactions, HR performance appraisal and employee travel and leave request.



Corporate Governance

"Good corporate governance is not only about rules and regulations, but focuses on intellectual honesty."

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

Adherence to best practices of Corporate Governance is of prime importance, made possible by a knowledgeable and active Board of Directors, through adoption of a set of processes, customs and policies, to help us direct and control our activities with accountability and integrity.

The interest of our shareholders is safeguarded through transparency in our reporting, empowering them to exercise their lawful rights. We appreciate the trust reposed by the shareholders and we endeavor to meet their expectations with honesty, responsibility and commitment to the organization.

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

Best Corporate Practices

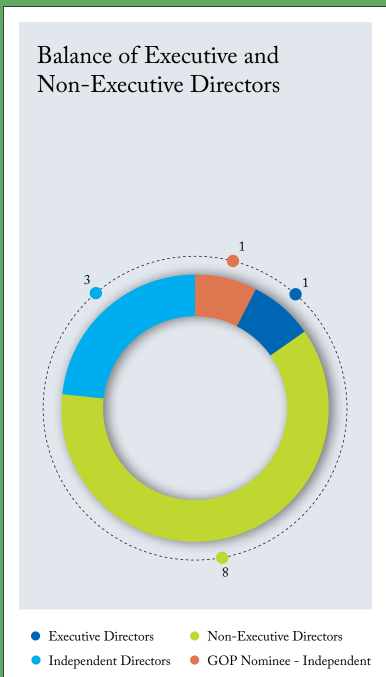
Surpassing the minimum legal requirements for good Corporate Governance under applicable laws and regulations, FFC pursues perfection by encouraging adherence to best corporate and ethical practices, as a model corporate citizen.

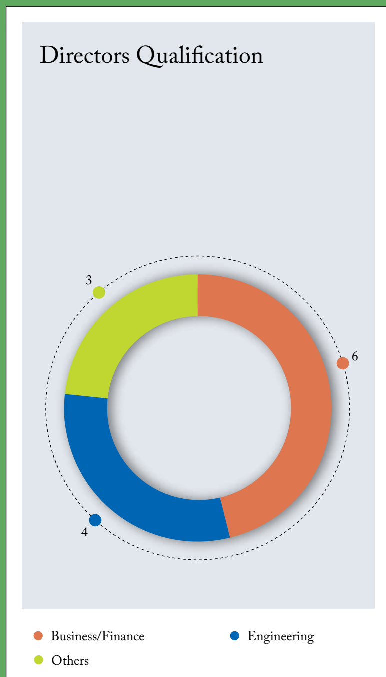
During the year, all periodic financial statements of the Company were circulated to the Directors, duly endorsed by the Chief Executive and the Chief Financial Officer. Quarterly FFC and consolidated financial statements were approved, published and circulated to shareholders within one month of the closing date. Half yearly financial statements, duly reviewed by External Auditors were circulated within the permitted time period of two months after closing. Other non financial information was circulated to governing bodies and different stake holders in an accurate and timely manner.

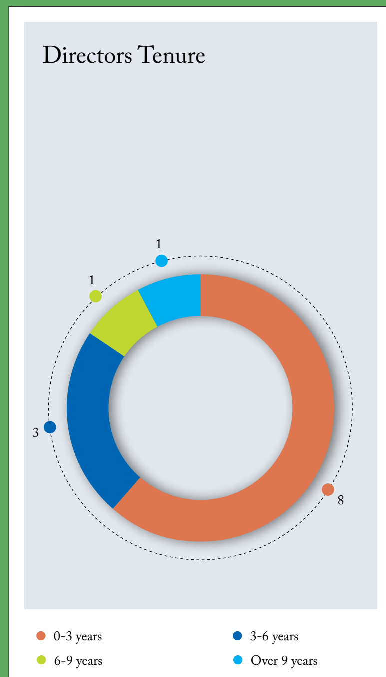
Duly audited annual financial statements along with consolidated financial statements were approved by the Board within one month after the closing date and shall be presented to the shareholders in the Annual General Meeting on March 07, 2013 for approval.

Composition of the Board of Directors

Legal and regulatory framework defines parameters regarding qualification and composition of the Board of Directors for smooth running of business and promotion of good corporate culture. In view of these requirements, the Board comprises of highly competent, committed and experienced members with integrity and strong sense of responsibility. The Board consists of 13 Directors, effectively representing and safeguarding the interests of shareholders including minority holders. There are 12 non-executive Directors and only 1 executive Director which conforms to and surpasses the legal requirement of 2/3rd representation by non-executive Directors.







Training of the Board

As required by regulatory framework, at least one member of the Board must undergo orientation and training for enhancing his management skills each year. Apart from training courses at different universities and institutions in Pakistan, Directors attended training abroad to enhance their management skills and keep them abreast with the best management practices and policies adopted by developed nations across the globe.

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

Roles and Responsibilities

The Board fully acknowledges its responsibility for smooth running of the Company and safe guarding its assets.

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

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

Changes to the Board

We would like to record our appreciation for the immense contribution made by Lt Gen Malik Arif Hayat, HI(M), (Retired), Mr Istaqbal Mehdi, Mr Shahid Anwar Khan and Brig Agha Ali Hassan SI(M), (Retired) during their terms as Board members.

We would also like to welcome Lt Gen Naeem Khalid Lodhi, HI(M), (Retired) as Chief Executive and Managing Director and Engr Rukhsana Zuberi, Mr Farhad Shaikh Mohammad and Brig Parvez Sarwar Khan SI(M), (Retired) as Board members. We are confident that the incoming members will bring new vision and spirit to FFC and the Board shall continue to work cohesively as a team for the benefit of the organization and to generate new ideas for progress and improvement.

Meetings of the Board

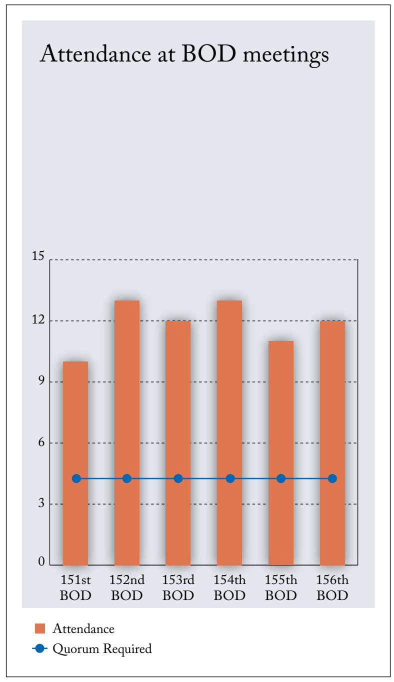
Legally, the Board is required to meet at least once per quarter to monitor Company's performance aimed at effective and timely accountability of its Management.

The Board held 6 meetings during the year, agendas of which were circulated in a timely manner beforehand. Decisions made by the Board during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, which were duly circulated to all the Directors for endorsement and were approved in the subsequent Board meetings. The Directors of the Company did not have any personal interest in any of these decisions.

Directors' Report
Corporate Governance

Director	Meetings Held	Meetings Attended
Lt Gen Muhammad Mustafa Khan, HI(M) (Retired)	6	6
Lt Gen Naeem Khalid Lodhi, HI(M) (Retired) * / **	5	5
Mr Qaiser Javed	6	6
Dr Nadeem Inayat	6	6
Mr Shahid Aziz Siddiqi #	6	5
Mr Jorgen Madsen #	6	3
Maj Gen Zahid Parvez, HI(M) (Retired)	6	5
Brig Agha Ali Hassan, SI(M) (Retired) *****	6	6
Mr Wazir Ali Khoja #	6	6
Mr Agha Nadeem	6	6
Brig Dr. Gulfam Alam, SI(M) (Retired)	6	6
Engr Rukhsana Zuberi # / ***	3	3
Mr Farhad Shaikh Mohammad # / ****	3	3
Lt Gen Malik Arif Hayat, HI(M) (Retired) **	1	1
Mr Istaqbal Mehdi***	3	2
Mr Shahid Anwar Khan****	3	2
Brig Parvez Sarwar Khan, SI(M) (Retired) *****	-	-

* Lt Gen Naeem Khalid Lodhi is the only Executive Director on the Board. All other Directors are Non-executive Directors.
** Lt Gen Malik Arif Hayat (Retired) retired from Directorship on March 26, 2012 and Lt Gen Naeem Khalid Lodhi (Retired) was appointed in his place.
*** Mr Istaqbal Mehdi retired from Directorship and Engr Rukhsana Zuberi joined in his place on September 16, 2012
**** Mr Shahid Anwar Khan retired from Directorship and Mr Farhad Shaikh Mohammad was appointed in his place on September 16, 2012.
***** Brig Agha Ali Hassan, SI(M)(Retired) retired from Directorship and Brig Parvez Sarwar Khan, SI(M)(Retired) joined in his place on January 01, 2013.
# Independent Directors



All meetings of the Board met minimum quorum prescribed by the Code of Corporate Governance and were also attended by the Chief Financial Officer and the Company Secretary.

Details of attendance by Directors at each Board meeting are shown in the table.

CE&MD Performance Review

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

Conflict of Interest among BOD members

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

Board's Performance

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

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

- Corporate Governance
- Compliance with regulatory requirements of legal framework
- Value addition for all stakeholders of the Company
- Financial performance of the Company
- Strategic capital expenditures and their payback period
- Operational efficiency and balancing, modernization and replacements
- Employee turnover and retention

Directors' Statement

Directors are pleased to state that:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based

on reasonable and prudent judgment.

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- The system of internal controls 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, except as stated in the Statement of Compliance with the Code of Corporate Governance.
- Information regarding outstanding taxes and levies, as required by listing regulations, is disclosed in the Notes to the financial statements.
- Statement of value of investments in respect of employees' retirement plans has been given in note 10 of the financial statements.

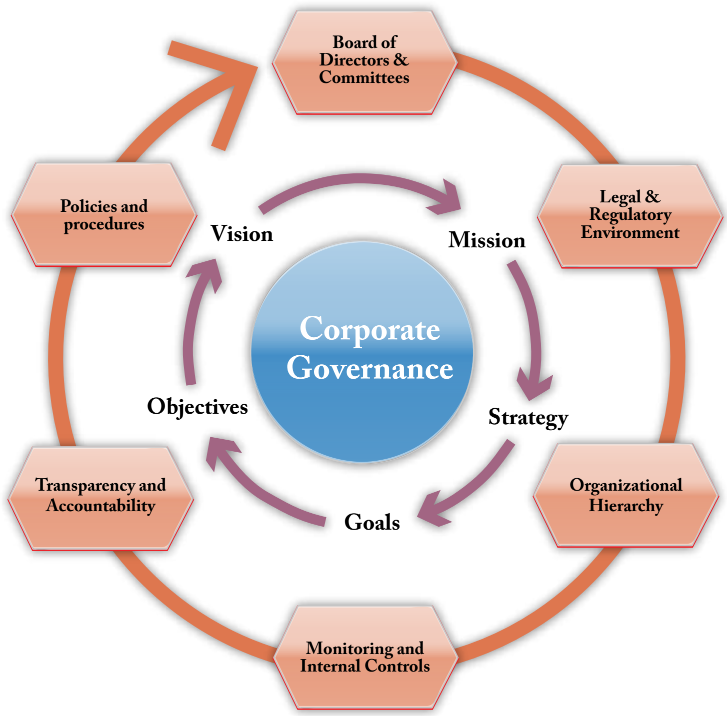
Shareholders' engagement

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

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

Share Price Sensitivity Analysis

FFC stock is considered a safe investment with an attractive and regular dividend payout. Aggregate foreign investment in FFC equity has increased to 9%. FFC share has touched the peak price of Rs 190.95 while the lowest recorded price was Rs 105.75 during the year, with an average price of Rs 126. The spread between highest and lowest price is attributable to 50% bonus shares adjustment.



Core Competencies

The Board comprises highly qualified professionals from a variety of disciplines including Armed Forces, Commerce, Finance and Engineering forming an excellent combination of experienced members to ensure effective and efficient participation in the affairs of the Company.

Whistle blowing policy

There exists a defined code of conduct within the Company which has stimulated the whistle blowing mechanism across the Board. Our policies and procedures are mature, enabling employees to raise their concerns in confidence about possible improprieties in financial and other matters, without fear of reprisal. No such incidence was reported to the Audit Committee during the year.

Auditors

KMPG Taseer Hadi & Co. Chartered Accountants have completed the annual audit for the year ended December 31, 2012 and will retire on conclusion of the next Annual General Meeting.

Based on a notice received from a shareholder to change the Auditors and in view of the good corporate governance practices, the Audit Committee has recomended the appointment of A.F. Ferguson & Co. Chartered Accountants as External Auditors of the Company for the year ending December 31, 2013.

FFC Website

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

Directors' Report
Future Prospects

As a Company we aim to increase our corporate value through sustainable growth, offering innovative services and products. We are ready to reinvest in our future, venturing beyond our core competencies, in sectors offering potential to augment earnings of our stakeholders and development of the national economy.

The Company is evaluating a number of opportunities including value added food & vegetable processing, integrated agricultural solutions and mechanized farming through a blend of diversified investments.

Over the last several years, we have made significant investments in areas that can help us achieve our goal to evolve as the top-tier growth Company over the long term.

Askari Bank Limited

The Company, along with its associates, is negotiating the acquisition of Askari Bank Limited owned by Army Welfare Trust. The acquisition has been approved by the Board and concurrence has been signified by SBP, subject to compliance with applicable laws, rules and regulations.

Coal Fired Boilers

In view of persistent gas curtailment resulting in significant production losses, FFC also plans to install two coal fired boilers at Goth Machhi, in collaboration with world renowned consultants, expected to come on stream in 2015 and 2017.

Boilers are available for a variety of coal qualities including a mix of imported and local coal, with great emphasis on environmental concerns and adherence to international standards. Coal is mainly planned to be imported from Indonesia and South Africa.

Commitment for the Future

Our venture in wind energy, FFCEL, has been formally inaugurated during the year, adding to the national electricity supply as a symbol of our commitment to contribute toward GDP growth. As a step forward, we have initiated studies to review solar power generation as a renewable energy source while coal gasification is being evaluated to ensure a consistent supply of power to our manufacturing facilities.

By the grace of Almighty, this portfolio will not only broaden our base, diversify our risk and supplement our profitability, but will also augment economic growth of our Country and its people.

On behalf of the Board,

Lt Gen Muhammad Mustafa Khan,
HI (M) (Retired)
Chairman
Rawalpindi, January 23, 2013