FFBL NOW AMONG TOP25 Companies of Pakistan

FFBL
Fauji Fertilizer Bin Qasim Limited

The Cover Story

In the ever changing world of today, our soil remains the strongest link in connecting our lives together. It is the common ground that we yearn for and the source of sustenance which we crave. It also provides us with our only chance of curtailing hunger in the times ahead.

At FFBL, we glorify the blessings of an enriched national soil. Our aim is to cultivate a sense of pride and fulfillment towards improved farming practices nationwide.

This year our cover expresses the same conviction; to ensure increased crop productivity while elevating the lives of our local people. To us, the roots of our economy lie embedded in the unfathomable depths of our greatest strength -- our soil.

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Our History

1993	Incorporation of the company
1996	Listed with Karachi, Lahore and Islamabad Stock Exchanges
2000	Commencement of commercial production
2003	Successful commissioning of Desulphurization Project Agreement with Office Cherifien des Phosphates' (OCP), Morocco for supply of raw material (P_2O_5)
2005	Joint venture with 'Office Cherifien des Phosphates' (OCP), Morocco to incorporate 'Pakistan Maroc Phosphore S.A'(PMP) costing 2,030 million Moroccan Dirhams with equity participation of 25%
2006	Achieved ISO Certification in QMS(9001:2000),EMS(14001:2004) and OHSAS(18001:1999)
2007	Successful completion of Ammonia BMR resulting in increased production of Ammonia by 23% from 1,270 MT to 1,570 MT and Urea by 15% from1,670 MT to 1920 MT per day
2008	DAP Revamp resulting in increased production by 51% from 1,472 MT to 2,232 MT per day Start of PMP's commercial production and shipment to FFBL in April 2008 and May 2008 respectively Investment in Fauji Cement Company Limited
2010	Investment in Wind Power Projects Successful implementation of SAP- ERP system, evolving excellence through technological integration
2011	Rewarding year for FFBL, exhibiting highest standards of performance, surpassing all previous records PMP achieved a landmark by producing 382 thousand tones of P_2O_5, surpassing the name plate capacity of 375 thousand tones in any year

Staying true to our roots

Year 2012

Production

929 thousand tonnes

Sales Revenue

Rs 47.91 Billion

Earnings per Share

Rs 4.64

Contribution to National Exchequer

Rs 11.4 Billion

Other Income

Rs 1.04 Billion

Dividend per Share

Rs 4.50

Vision

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

Mission

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

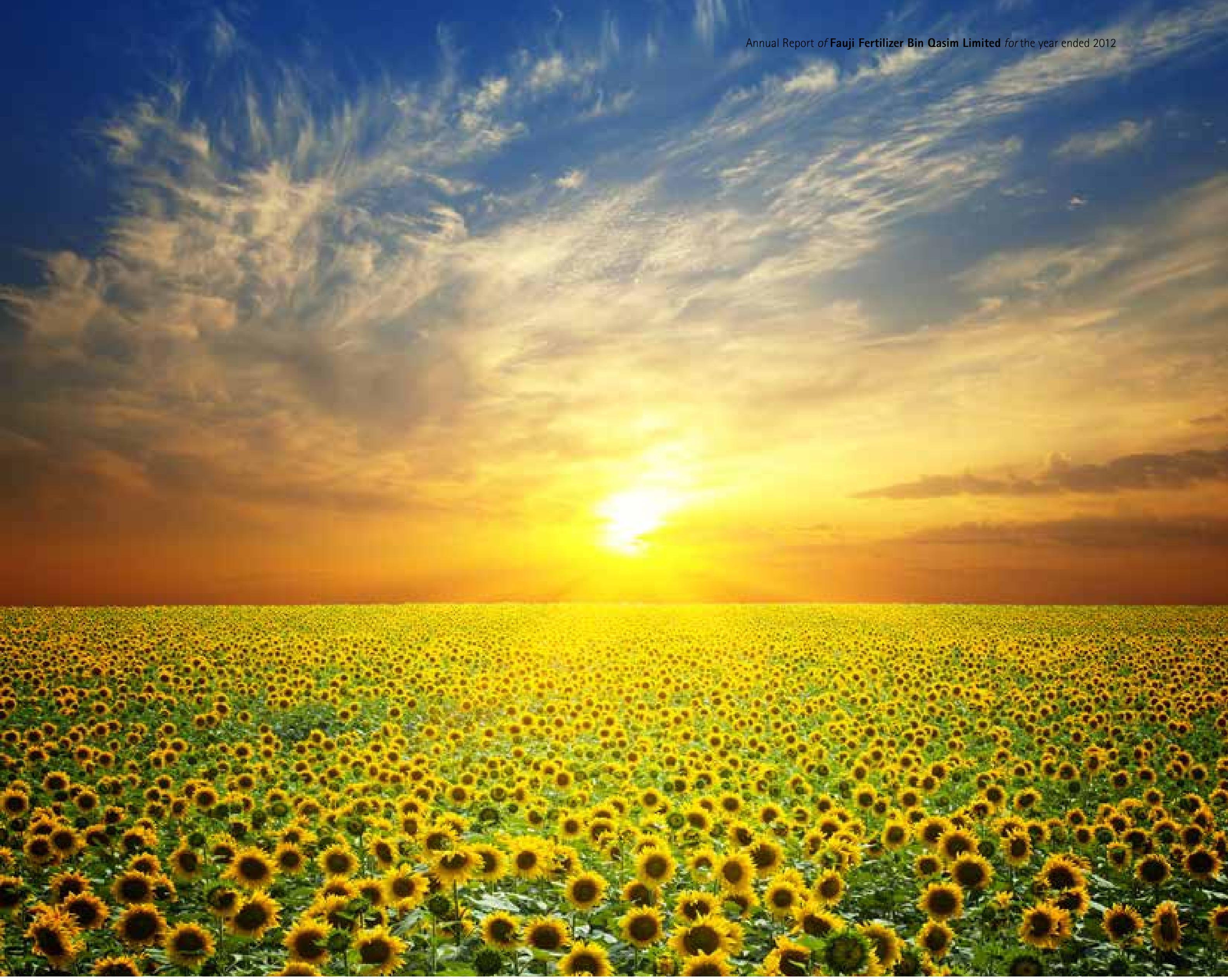


Corporate Strategy

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

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

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



Strategic Goals

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

Code of Conduct

Corporate Image

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

Safety and Health

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

Confidentiality

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

Stakeholders

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

Respect for People & Team Work

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

Integrity and Honesty

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

Dedication to Quality

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

Legal Compliance

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

Unauthorized Use of Corporate Assets

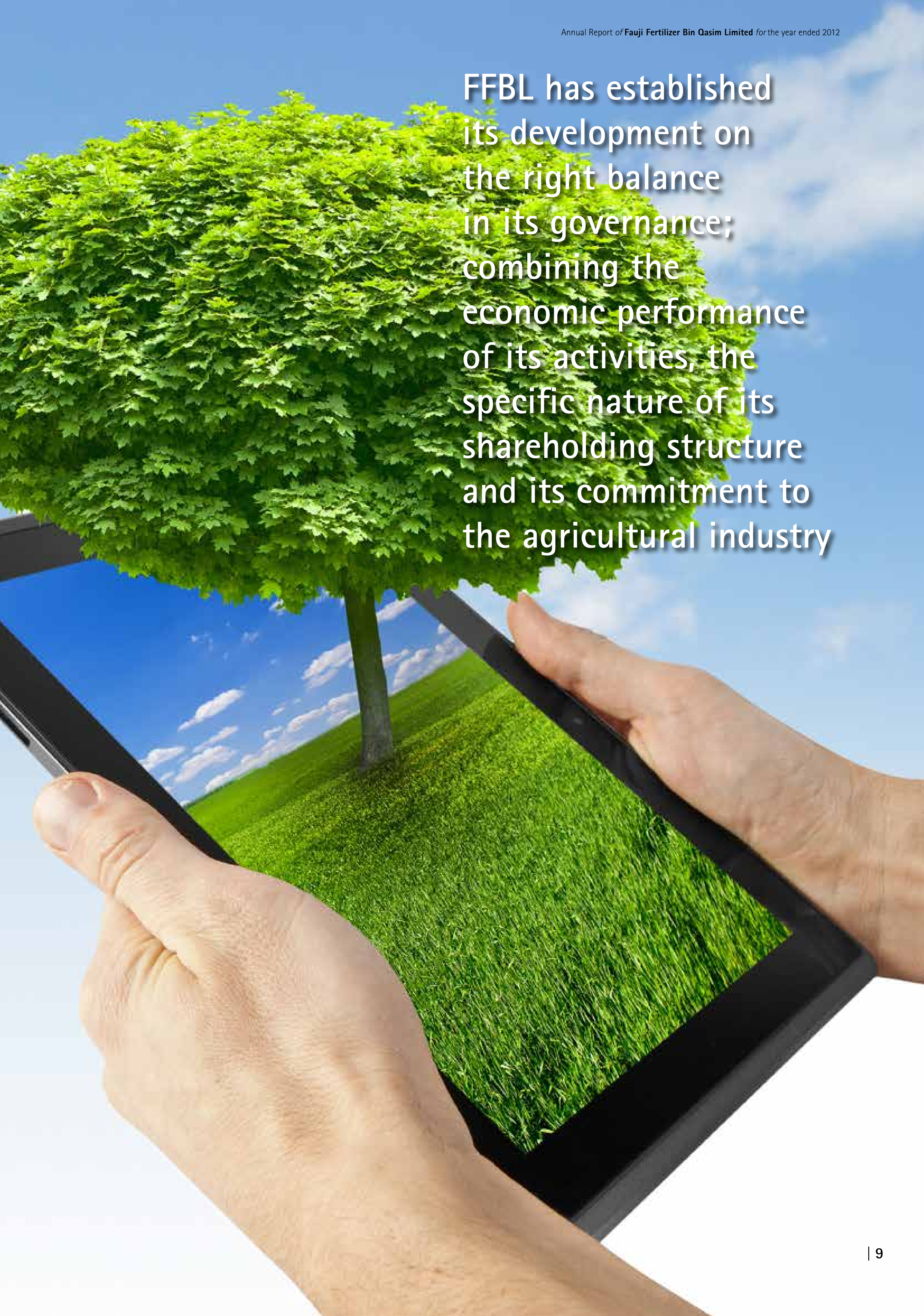
Every employee is obligated to protect the assets of the Company.

Conflict of Interest

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

Corporate Records

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



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

Company Information

Board of Directors

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

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

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

Mr Qaiser Javed

Dr Nadeem Inayat

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

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

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

Brig Muhammad Saeed Khan, (Retired)

Mr Naved A. Khan

Mr Nasier A. Sheikh

Dr Rashid Bajwa

Company Secretary

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

Chief Financial Officer

Syed Aamir Ahsan

Registered Office

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

Plantsite

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

Shares Registrar

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

Auditors

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

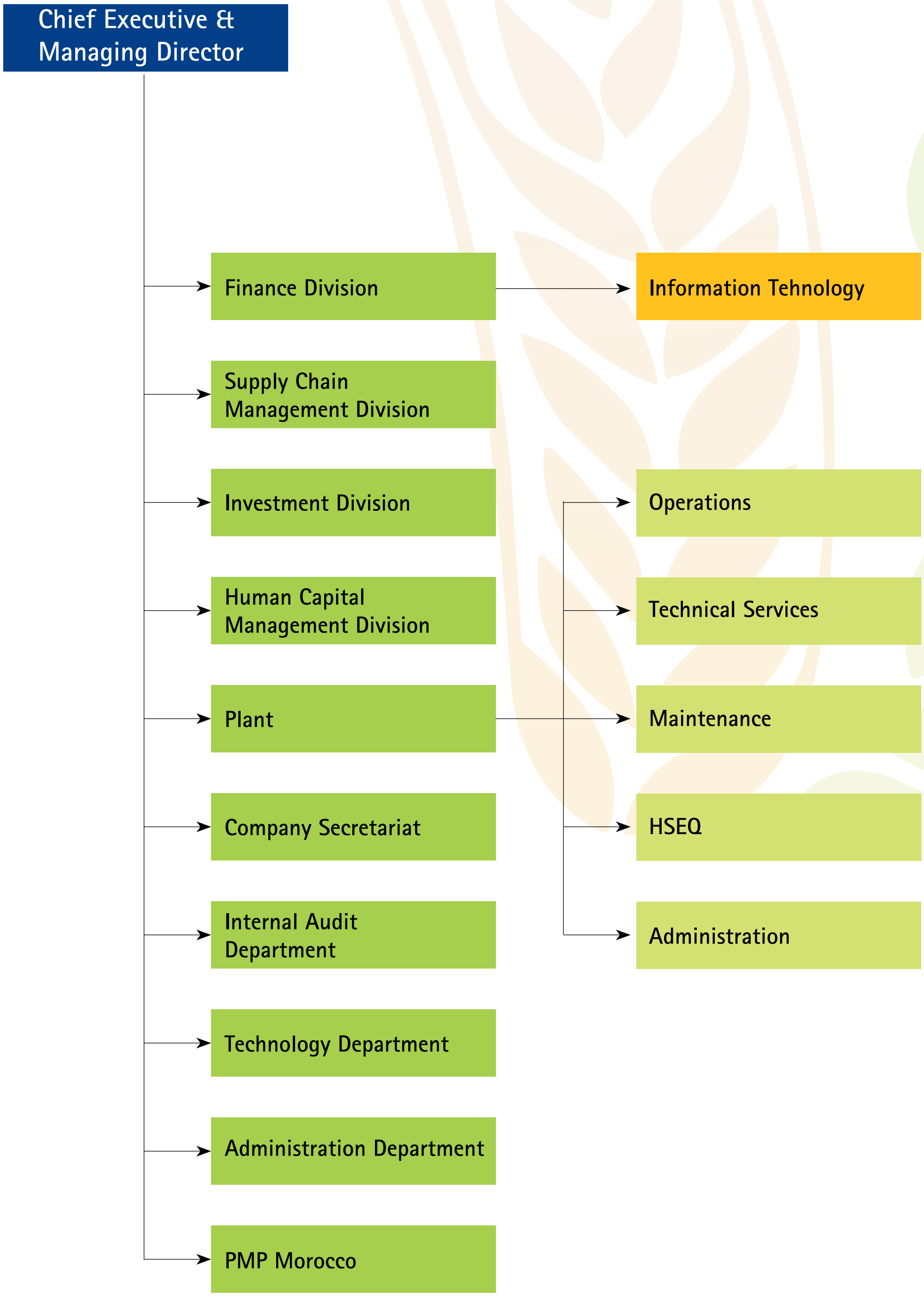
Legal Advisors

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

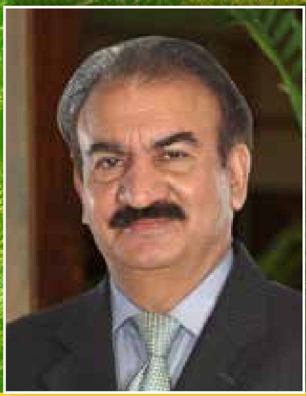
Web Presence

www.ffbl.com

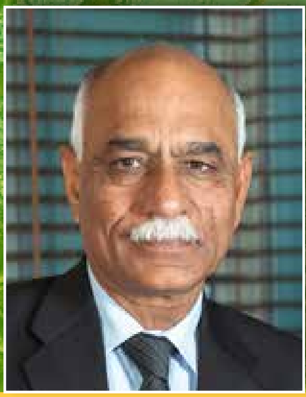
Organogram


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

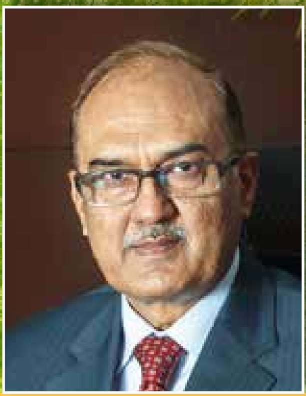
Profile of the Board



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



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



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

Lt Gen Muhammad Mustafa Khan, HI(M), (Retd), was commissioned in Pakistan Army in April 1974. During his long meritorious service in the Army, the General officer had been employed on various command, staff and instructional assignments including the prestigious appointment as Chief of General Staff and Corps Commander of a Strike Corps/ Commander Central Command. The General is a Graduate of Command and Staff College, Quetta and Command & Staff College, Fort Leavenworth, USA. He is also a graduate of Armed Forces War College, Islamabad (National Defence University) and Senior Executive Course from USA and holds Master Degrees in War Studies and International Relations.
In recognition of his meritorious services, he has been conferred the award of Hilal-e-Imtiaz (Military). The General brings along a vast and diversified experience in operational, administration, management, assessment and evaluation systems up to various level of Command. An avid reader and keen golfer.

He is also on the Board of following entities:-

Fauji Fertilizer Company Limited (FFCL)
Mari Petroleum Company Limited (MPCL)
Fauji Cement Company Limited (FCCL)
Fauji Oil Terminal Company (FOTCO)
Fauji Kabirwala Power Company Limited (FKPCL)
Foundation Power Company (Daharki) Limited (FPCDL)
Dharki Power Holdings Limited (DPHL)
FFC Energy Limited (FFCEL)
Foundation Wind Energy – I (FWE-I)
Foundation Wind Energy – II (FWE-II)
Fauji Akbar Portia Marine Terminals (FAP)

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

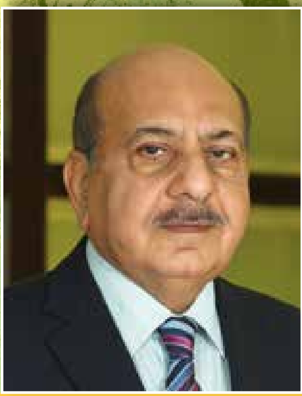
He is on the Board of following entities:-

Foundation Wind Energy – I (FWE-I)
Foundation Wind Energy – II (FWE-II)
Pakistan Maroc Phosphore, S.A., Morocco (PMP)

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

He is also on the Board of following entities:-

Fauji Fertilizer Company Limited (FFCL)
FFC Energy Limited (FFCEL)
Pakistan Maroc Phosphore, S.A., Morocco (PMP)



Mr Qaiser Javed
Director

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

He is also on the Board of following entities:-

- Fauji Fertilizer Company Limited (FFCL)
- Mari Petroleum Company Limited (MPCL)
- Fauji Cement Company Limited (FCCL)
- Fauji Oil Terminal Company (FOTCO)
- Fauji Kabirwala Power Company Limited (FKPCL)
- Foundation Power Company (Daharki) Limited (FPCDL)
- Dharki Power Holdings Limited (DPHL)
- FFC Energy Limited (FFCEL)
- Foundation Wind Energy – I (FWE-I)
- Foundation Wind Energy – II (FWE-II)
- Fauji Akbar Portia Marine Terminals (FAP)

Dr Nadeem Inayat
Director

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

He is also on the Board of following entities:-

- Fauji Fertilizer Company Limited (FFCL)
- Mari Petroleum Company Limited (MPCL)
- Fauji Cement Company Limited (FCCL)
- Fauji Oil Terminal Company (FOTCO)
- Dharki Power Holdings Limited (DPHL)
- Foundation Wind Energy – I (FWE-I)
- Foundation Wind Energy – II (FWE-II)
- Fauji Akbar Portia Marine Terminals (FAP)
- Pakistan Maroc Phosphore, S.A., Morocco (PMP)

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

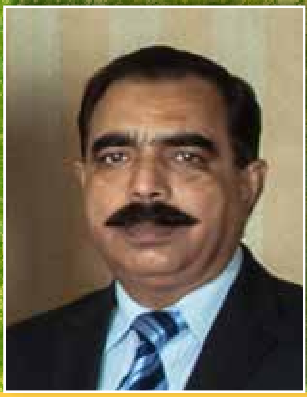
Maj Gen Ghulam Haider, HI(M), (Retd) was commissioned in the Army in April 1972. He is a graduate of Command and Staff College Quetta and National Defence University Islamabad, Pakistan. Holds Master's Degree in War Studies from Quaid-e-Azam University, Islamabad. Qualified in Ammunition and Explosives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

He is also on the Board of following entities:-

- Fauji Kabirwala Power Company Limited (FKPCL)
- FFC Energy Limited (FFCEL)

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

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



Brig Muhammad Saeed Khan
(Retd), Director

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

He is also on the Board of following entities:-

- Fauji Fertilizer Company Limited (FFCL)
- Fauji Cement Company Limited (FCCL)
- Foundation Power Company (Dharki) Limited (FPCDL)
- Dharki Power Holdings Limited (DPHL)
- FFC Energy Limited (FFCEL)

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

He is on the Board of following entities:-

- Fauji Fertilizer Company Limited (FFCL)
- Mari Petroleum Company Limited (MPCL)
- Fauji Cement Company Limited (FCCL)
- Foundation Power Company (Daharki) Limited (FPCDL)
- Dharki Power Holdings Limited (DPHL)
- Foundation Wind Energy – I (FWE-I)
- Foundation Wind Energy – II (FWE-II)
- Fauji Akbar Portia Marine Terminals (FAP)

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

Naved A. Khan
Director

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

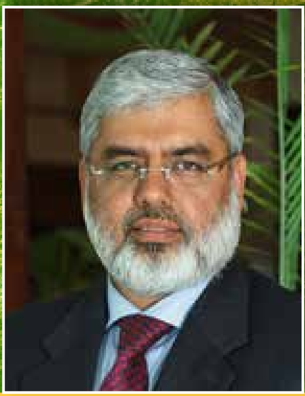
Nasier A. Sheikh
Director

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

Dr Rashid Bajwa
Director

Dr Rashid Bajwa is a MBBS, Gold Medalist and College color holder of King Edward Medical College as well as distinction with HM Queen's commendation in MPH Nuffield Institute for Health, University of Leeds, UK.
He is also MD, ECFMG, USA. He has professional experience of development specialist with experience of nonprofit corporate sector and Government. He is founding member of the organization NRSP Microfinance Bank. He is Chief Executive Officer, National Rural Support Programme (NRSP) 1996- to date. Worked as Senior Advisor of Khushaali Bank Pakistan from 2000 to 2003. Also working as a Director with different Non-Profit Organizations. He is Ex Member of Civil Service of Pakistan (DMG) 1986 -93, worked at all levels of the Government viz Deputy Chief, Planning & Development, Northern Areas and Assistant Commissioner/Deputy Commissioner from 1988 to 1993. Joined FFBL as a Director with effect from 26th Aug 2010.

Profile of the Board (Contd.)



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

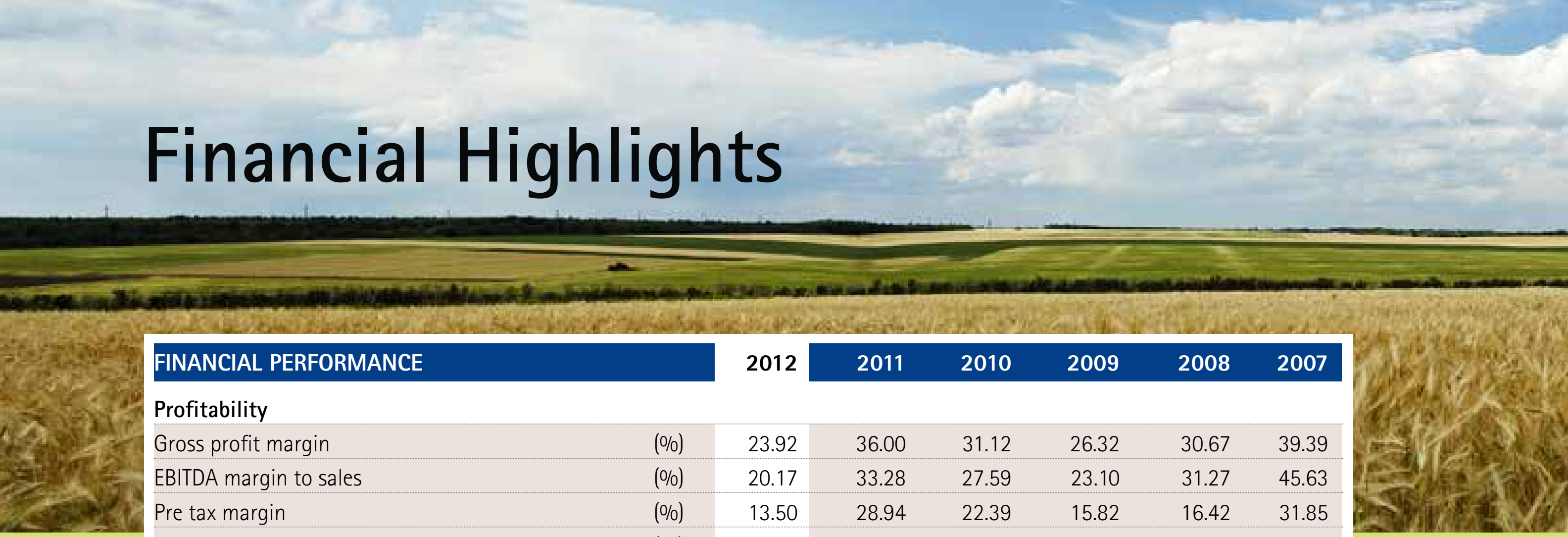
Brig Shaukat Yaqub Malik
SI(M), (Retd) Company Secretary

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

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

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

We are up for producing more and sharing more to improve lives all around



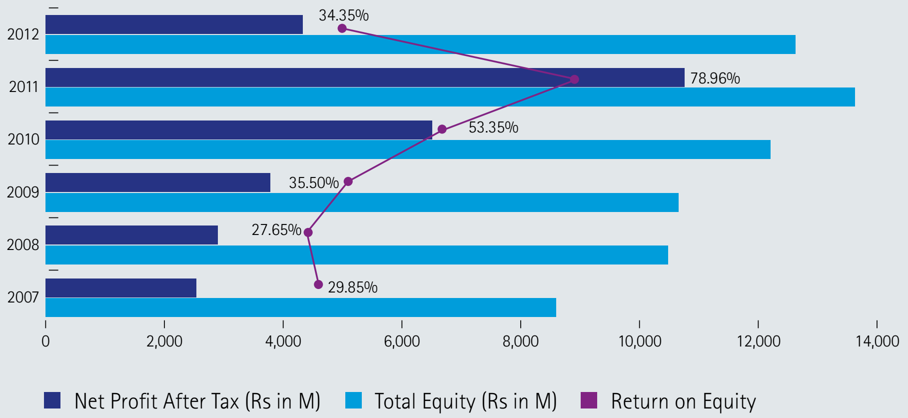
Financial Highlights

FINANCIAL PERFORMANCE		2012	2011	2010	2009	2008	2007
Profitability							
Gross profit margin	(%)	23.92	36.00	31.12	26.32	30.67	39.39
EBITDA margin to sales	(%)	20.17	33.28	27.59	23.10	31.27	45.63
Pre tax margin	(%)	13.50	28.94	22.39	15.82	16.42	31.85
Net profit margin	(%)	9.05	19.27	15.06	10.30	10.81	20.75
Return on paid up share capital	(%)	46.44	115.27	69.74	40.51	26.87	23.02
Return on equity	(%)	34.35	78.96	53.35	35.50	27.65	29.85
Return on capital employed	(%)	31.29	63.80	40.46	24.53	17.73	16.40
Operating Performance / Liquidity							
Return on total assets	(%)	10.66	26.80	18.44	10.45	5.37	7.40
Total assets turnover	(Times)	1.18	1.39	1.22	1.01	0.57	0.42
Fixed assets turnover	(Times)	3.46	3.86	2.94	2.36	1.69	0.74
Debtors turnover	(Times)	11.67	31.03	58.87	54.97	53.13	26.68
Debtors turnover	(Days)	31	12	6	7	7	14
Creditors turnover	(Times)	5.12	6.53	8.58	7.20	6.41	5.83
Creditors turnover	(Days)	72	56	43	51	57	63
Inventory turnover	(Times)	8.80	15.29	23.86	7.77	5.94	10.69
Inventory turnover	(Days)	42	24	15	47	61	34
Operating cycle	(Days)	1	(20)	(21)	3	11	(15)
Current ratio	(Times)	1.00	1.17	1.19	1.10	1.09	1.17
Quick / Acid test ratio	(Times)	0.71	0.90	0.98	0.92	0.82	0.97
Cash and cash equivalent to current liabilities	(Times)	0.45	0.34	0.91	0.84	0.30	0.56
Cash flow from operations to sales	(%)	3.01	14.95	17.08	56.48	(35.63)	29.84
Capital Market / Capital Structure Analysis							
Market price per share							
- Year end	(Rs)	38.59	42.43	35.73	26.13	12.90	42.05
- High during the year	(Rs)	50.88	63.67	38.65	26.49	46.05	48.00
- Low during the year	(Rs)	35.30	35.08	25.08	12.48	12.90	28.40
Earnings per share (pre-tax)	(Rs)	6.93	17.31	10.37	6.22	4.72	4.18
Earnings per share (after-tax)	(Rs)	4.64	11.53	6.97	4.05	3.10	2.72
Earning growth	(%)	(59.71)	65.42	72.20	30.51	14.16	3.82
Break up value	(Rs)	13.52	14.60	13.07	11.41	11.23	9.11
Dividend yield ratio	(%)	11.66	23.57	18.33	15.31	22.09	5.95
Price earning ratio	(Times)	8.31	3.68	5.13	6.45	4.16	15.46
Debt : Equity		09:91	19:81	24:76	31:69	36:64	45:55
Interest cover ratio	(Times)	4.55	15.86	11.37	4.98	2.58	7.19
Earning yield ratio	(%)	12.03	27.17	19.51	15.50	24.06	6.47
Market capitalisation	(Rs (M))	36,047	39,634	33,376	24,408	12,050	39,279
Corporate Distribution							
Dividend per share - Interim	(Rs)	2.25	6.50	3.05	1.75	0.60	1.50
Dividend per share - Proposed Final	(Rs)	2.25	3.50	3.50	2.25	2.25	1.00
Dividend payout ratio	(%)	96.98	86.73	93.97	98.73	91.94	91.90
Dividend cover ratio	(%)	103.20	115.27	106.41	101.25	108.92	108.77

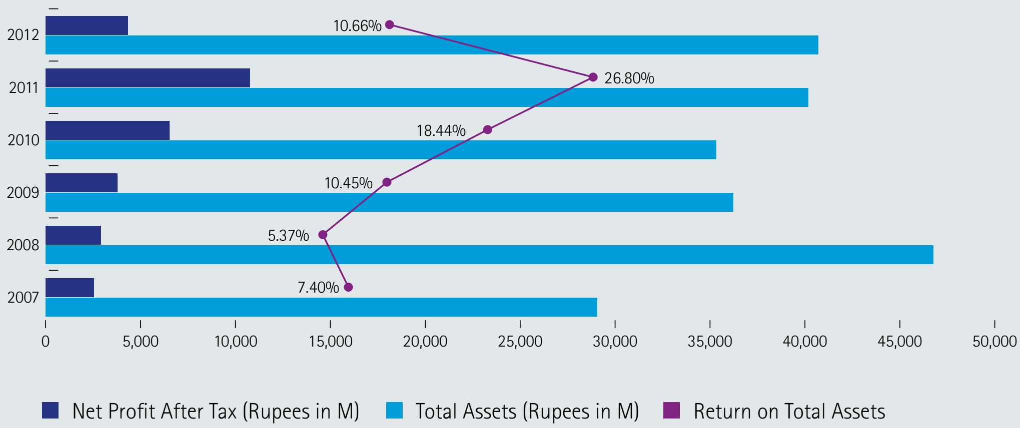
FINANCIAL PERFORMANCE	2012	2011	2010	2009	2008	2007
Summary of Profit & Loss						**Rs in Million**
Turnover	47,911	55,869	43,257	36,725	26,821	12,243
Gross profit	11,461	20,116	13,463	9,665	8,226	4,823
Profit before taxation	6,469	16,170	9,686	5,808	4,405	3,900
EBITDA	9,663	18,591	11,934	8,485	8,387	5,586
Profit after taxation	4,338	10,767	6,514	3,784	2,900	2,540
Summary of Balance Sheet						
Shareholders' equity	12,631	13,636	12,210	10,660	10,486	8,509
Capital employed	13,863	16,877	16,099	15,425	16,355	15,482
Non - current assets	17,435	17,244	17,018	17,782	18,279	17,884
Working capital	100	3,273	2,929	1,697	2,273	1,591
Non current liabilities	4,905	6,881	7,737	8,818	10,066	10,967
Summary of Cash Flows						
Net cash flow from Operating activities	1,443	8,354	7,388	20,744	(9,557)	3,653
Net cash flow from Investing activities	6,827	(7,508)	871	(266)	1,975	(3,966)
Net cash flow from Financing activities	(9,106)	(7,836)	(4,633)	(3,845)	(2,209)	(2,916)
Changes in cash and cash equivalents	(836)	(6,990)	3,626	16,633	(9,791)	(3,229)
Quantitative Data						**Thousand Tonnes**
Sona Urea (G) Production	281	433	524	627	668	488
Sona Urea (G) Sales	279	433	525	627	686	474
Sona DAP Production	648	662	660	540	471	357
Sona DAP Sales	611	663	658	709	307	352

Financial Highlights (Contd.)

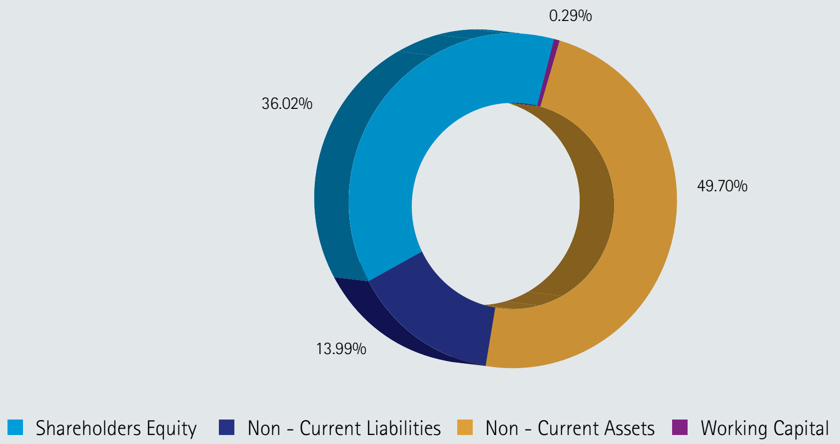
Return on Equity
(Percentage)



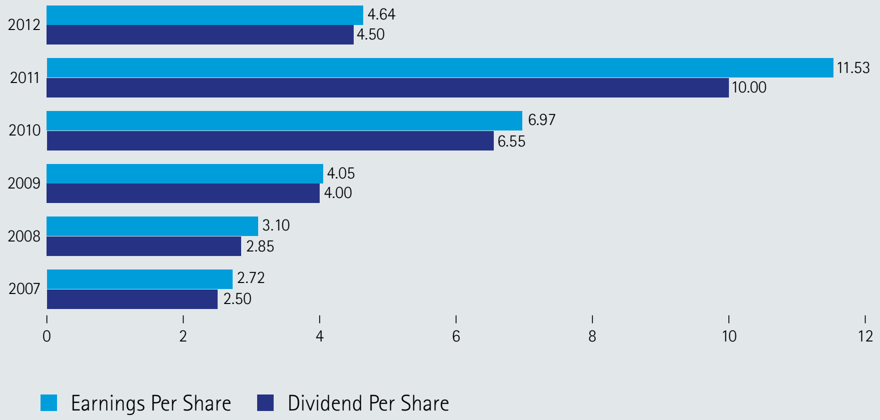
Return on Total Assets
(Percentage)



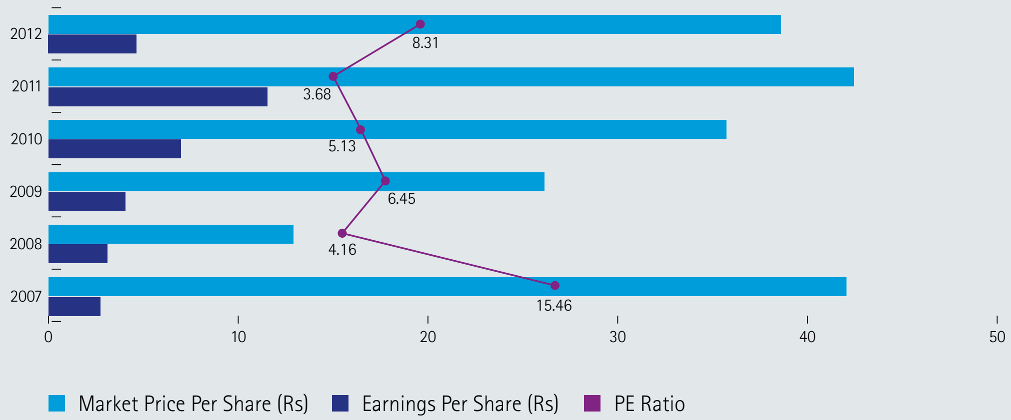
Financial Position 2012
(Percentage)



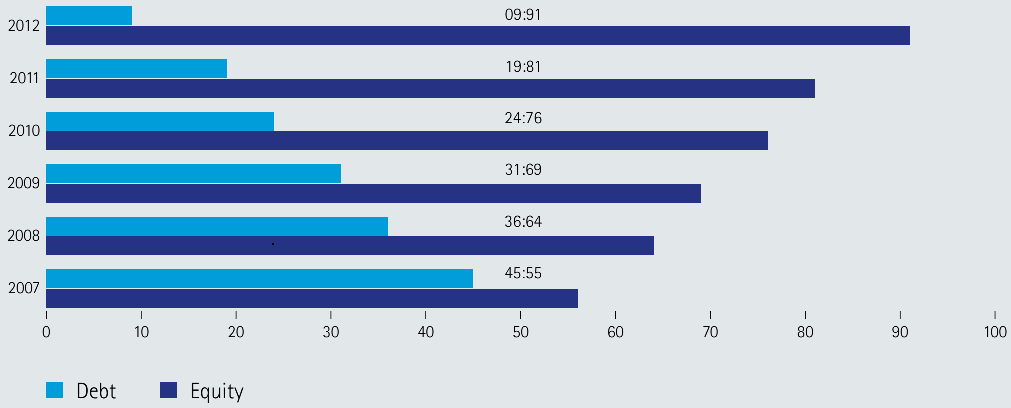
Earnings & Dividend Per Share
(Rupees)



Price Earning Ratio
(Times)



Debt : Equity



Horizontal Analysis
Balance Sheet

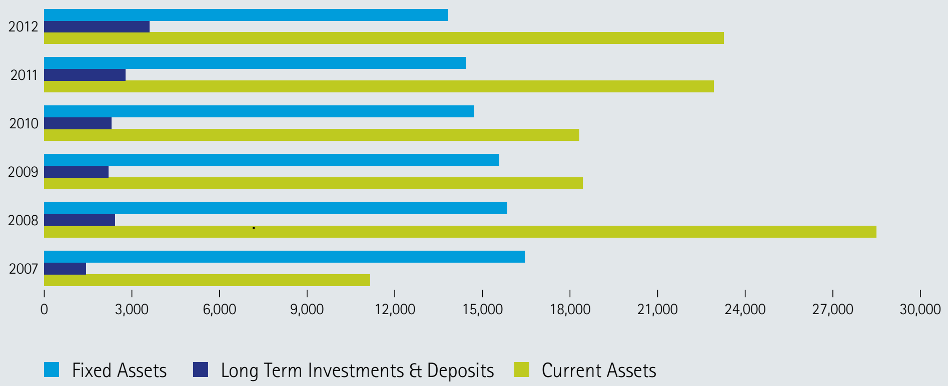
HORIZONTAL ANALYSIS BALANCE SHEET	2012 Rs	12 Vs. 11 %	2011 Rs	11 Vs. 10 %	2010 Rs	10 Vs. 09 %	2009 Rs	09 Vs. 08 %	2008 Rs	08 Vs. 07 %	2007 Rs	Rs in million 07 Vs. 06 %
EQUITY AND LIABILITIES												
Equity												
Share capital	9,341	-	9,341	-	9,341	-	9,341	-	9,341	-	9,341	-
Reserves	947	3.05	919	-	919	(1.39)	932	16.50	800	250.88	228	-
Accumulated gain / (loss)	2,343	(30.60)	3,376	73.13	1,950	403.88	387	12.17	345	(132.52)	(1,061)	2.81
	12,631	(7.37)	13,636	11.68	12,210	14.54	10,660	1.66	10,486	23.25	8,508	(0.34)
Non – Current liabilities												
Long term loan	1,232	(61.99)	3,241	(16.66)	3,889	(18.38)	4,765	(18.81)	5,869	(15.83)	6,973	(13.70)
Deferred liabilities	3,673	0.91	3,640	(5.41)	3,848	(5.06)	4,053	(3.43)	4,197	5.08	3,994	51.63
	4,905	(28.72)	6,881	(11.06)	7,737	(12.26)	8,818	(12.40)	10,066	(8.22)	10,967	2.36
Current liabilities												
Trade creditors, other payables & taxation	11,662	2.92	11,331	30.17	8,705	11.56	7,803	24.54	6,265	154.27	2,464	(8.23)
Mark - up accrued	281	37.75	204	30.77	156	41.82	110	(81.48)	594	379.03	124	18.10
Short term borrowings	9,217	23.29	7,476	32.25	5,653	(26.87)	7,730	(57.66)	18,257	210.76	5,875	29.63
Current portion of long term loan	2,008	209.88	648	(25.94)	875	(20.74)	1,104	-	1,104	(0.27)	1,107	-
	23,168	17.85	19,659	27.75	15,389	(8.11)	16,747	(36.13)	26,220	173.98	9,570	13.54
	40,704	1.31	40,176	13.70	35,336	(2.45)	36,225	(22.55)	46,772	61.03	29,045	4.93
ASSETS												
Non – Current Assets												
Fixed assets	13,832	(4.32)	14,456	(1.71)	14,707	(5.59)	15,577	(1.70)	15,847	(3.71)	16,458	10.23
Long term investments	3,527	30.10	2,711	21.30	2,235	5.03	2,128	(11.96)	2,417	71.30	1,411	-
Long term deposits & prepayments	76	-	76	-	76	(1.30)	77	413.33	15	-	15	(11.76)
	17,435	1.11	17,243	1.32	17,018	(4.30)	17,782	(2.72)	18,279	2.21	17,884	9.33
Current assets												
Stores, spares and loose tools	2,011	5.51	1,906	0.21	1,902	2.81	1,850	30.01	1,423	12.31	1,267	58.97
Stock in trade	4,876	43.12	3,407	168.06	1,271	3.59	1,227	(78.39)	5,677	865.48	588	(26.59)
Trade debts	2,469	281.61	647	(22.05)	830	74.00	477	67.37	285	16.80	244	5.63
Advances	487	(0.81)	491	330.70	114	2.70	111	70.77	65	(18.75)	80	31.15
Deposits and prepayments	24	84.62	13	(7.14)	14	180.00	5	-	5	(44.44)	9	80.00
Other receivables	3,063	36.38	2,246	935.02	217	(53.43)	466	(96.44)	13,096	925.53	1,277	(24.39)
Short term investments	1,550	(82.46)	8,838	607.04	1,250	(73.17)	4,659	-	-	(100.00)	3,895	675.90
Cash and bank balances	8,789	63.21	5,385	(57.67)	12,720	31.84	9,648	21.48	7,942	108.95	3,801	(47.47)
	23,269	1.47	22,933	25.19	18,318	(0.68)	18,443	(35.27)	28,493	155.29	11,161	(1.42)
	40,704	1.31	40,176	13.70	35,336	(2.45)	36,225	(22.55)	46,772	61.03	29,045	4.93

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

Vertical Analysis
Balance Sheet

VERTICAL ANALYSIS	2012		2011		2010		2009		2008		Rs in million 2007	
BALANCE SHEET	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
EQUITY AND LIABILITIES												
Equity												
Share capital	9,341	22.95	9,341	23.25	9,341	26.43	9,341	25.79	9,341	19.97	9,341	32.16
Reserves	947	2.33	919	2.29	919	2.60	932	2.57	800	1.71	228	0.78
Accumulated loss / (gain)	2,343	5.76	3,376	8.40	1,950	5.52	387	1.07	345	0.74	(1,061)	(3.65)
	12,631	31.03	13,636	33.94	12,210	34.55	10,660	29.43	10,486	22.42	8,508	29.29
Non - Current liabilities												
Long term loan	1,232	3.03	3,241	8.07	3,889	11.01	4,765	13.15	5,869	12.55	6,973	24.01
Deferred liabilities	3,673	9.02	3,640	9.06	3,848	10.89	4,053	11.19	4,197	8.97	3,994	13.75
	4,905	12.05	6,881	17.13	7,737	21.90	8,818	24.34	10,066	21.52	10,967	37.76
Current liabilities												
Trade creditors, other payables & taxation	11,662	28.65	11,331	28.20	8,705	24.63	7,803	21.54	6,265	13.40	2,464	8.48
Mark - up accrued	281	0.69	204	0.51	156	0.44	110	0.30	594	1.27	124	0.43
Short term borrowings	9,217	22.64	7,476	18.61	5,653	16.00	7,730	21.34	18,257	39.03	5,875	20.23
Current portion of long term loan	2,008	4.93	648	1.61	875	2.48	1,104	3.05	1,104	2.36	1,107	3.81
	23,168	56.92	19,659	48.93	15,389	43.55	16,747	46.23	26,220	56.06	9,570	32.95
	40,704	100.00	40,176	100.00	35,336	100.00	36,225	100.00	46,772	100.00	29,045	100.00
ASSETS												
Non - Current Assets												
Fixed assets	13,832	33.98	14,456	35.98	14,707	41.62	15,577	43.00	15,847	33.88	16,458	56.66
Log term investments	3,527	8.66	2,711	6.75	2,235	6.32	2,128	5.87	2,417	5.17	1,411	4.86
Long term deposits & prepayments	76	0.19	76	0.19	76	0.22	77	0.21	15	0.03	15	0.05
	17,435	42.83	17,243	42.92	17,018	48.16	17,782	49.09	18,279	39.08	17,884	61.57
Current assets												
Stores, spares and loose tools	2,011	4.94	1,906	4.74	1,902	5.38	1,850	5.11	1,423	3.04	1,267	4.36
Stock in trade	4,876	11.98	3,407	8.48	1,271	3.60	1,227	3.39	5,677	12.14	588	2.02
Trade debts	2,469	6.07	647	1.61	830	2.35	477	1.32	285	0.61	244	0.84
Advances	487	1.20	491	1.22	114	0.32	111	0.31	65	0.14	80	0.28
Deposits and prepayments	24	0.06	13	0.03	14	0.04	5	0.01	5	0.01	9	0.03
Other receivables	3,063	7.53	2,246	5.59	217	0.61	466	1.29	13,096	28.00	1,277	4.40
Short term investments	1,550	3.81	8,838	22.00	1,250	3.54	4,659	12.86	-	-	3,895	13.41
Cash and bank balances	8,789	21.59	5,385	13.40	12,720	36.00	9,648	26.63	7,942	16.98	3,801	13.09
	23,269	57.17	22,933	57.08	18,318	51.84	18,443	50.91	28,493	60.92	11,161	38.43
	40,704	100.00	40,176	100.00	35,336	100.00	36,225	100.00	46,772	100.00	29,045	100.00

Balance Sheet Analysis - Assets
(Rupees in million)

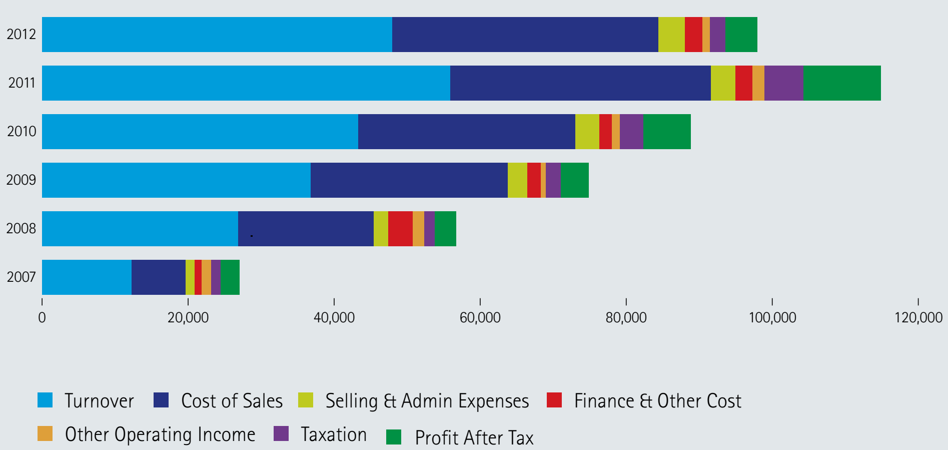


Horizontal & Vertical Analysis
Profit and Loss Account

HORIZONTAL ANALYSIS PROFIT & LOSS	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	Rs. in Million 07 Vs. 06 %
Turnover	47,911	(14.24)	55,869	29.16	43,257	17.79	36,725	36.93	26,821	119.07	12,243	(16.75)
Cost of Sales	36,450	1.95	35,753	20.00	29,794	10.10	27,060	45.52	18,595	150.61	7,420	(25.97)
Gross profit	11,461	(43.03)	20,116	49.42	13,463	39.30	9,665	17.49	8,226	70.56	4,823	2.97
Selling & distribution expenses	2,666	4.39	2,554	(1.20)	2,585	15.61	2,236	25.83	1,777	66.23	1,069	(24.72)
Administrative expenses	984	26.64	777	11.00	700	74.56	401	93.72	207	58.02	131	27.18
	7,811	(53.46)	16,785	64.91	10,178	44.82	7,028	12.59	6,242	72.29	3,623	14.62
Finance cost	1,822	67.46	1,088	16.49	934	(36.03)	1,460	(47.71)	2,792	342.47	631	52.78
Other operating expenses	565	(52.00)	1,177	65.08	713	60.95	443	(21.59)	565	64.24	344	41.56
	5,424	(62.64)	14,520	70.20	8,531	66.46	5,125	77.64	2,885	8.95	2,648	5.71
Other operating income	1,045	(36.67)	1,650	42.98	1,154	68.96	683	(55.07)	1,520	21.41	1,252	-
Profit before taxation	6,469	(59.99)	16,170	66.96	9,685	66.75	5,808	31.85	4,405	12.95	3,900	3.81
Taxation	2,131	(60.56)	5,403	70.39	3,171	56.67	2,024	34.49	1,505	10.66	1,360	3.66
Profit after taxation	4,338	(59.71)	10,767	65.29	6,514	72.15	3,784	30.48	2,900	14.17	2,540	3.89

VERTICAL ANALYSIS PROFIT & LOSS	2012 Rs	 %	2011 Rs	 %	2010 Rs	 %	2009 Rs	 %	2008 Rs	 %	2007 Rs	Rs. in Million %
Turnover	47,911	100.00	55,869	100.00	43,257	100.00	36,725	100.00	26,821	100.00	12,243	100.00
Cost of Sales	36,450	76.08	35,753	63.99	29,794	68.88	27,060	73.68	18,595	69.33	7,420	60.61
Gross profit	11,461	23.92	20,116	36.01	13,463	31.12	9,665	26.32	8,226	30.67	4,823	39.39
Selling & distribution expenses	2,666	5.56	2,554	4.57	2,585	5.98	2,236	6.09	1,777	6.63	1,069	8.73
Administrative expenses	984	2.05	777	1.39	700	1.62	401	1.09	207	0.77	131	1.07
	7,811	16.30	16,785	30.04	10,178	23.53	7,028	19.14	6,242	23.27	3,623	29.59
Finance cost	1,822	3.80	1,088	1.95	934	2.16	1,460	3.98	2,792	10.41	631	5.15
Other operating expenses	565	1.18	1,177	2.11	713	1.65	443	1.21	565	2.11	344	2.81
	5,424	11.32	14,520	25.99	8,531	19.72	5,125	13.96	2,885	10.76	2,648	21.63
Other operating income	1,045	2.18	1,650	2.95	1,154	2.67	683	1.86	1,520	5.67	1,252	10.23
Profit before taxation	6,469	13.50	16,170	28.94	9,685	22.39	5,808	15.81	4,405	16.42	3,900	31.85
Taxation	2,131	4.45	5,403	9.67	3,171	7.33	2,024	5.51	1,505	5.61	1,360	11.11
Profit after taxation	4,338	9.05	10,767	19.27	6,514	15.06	3,784	10.30	2,900	10.81	2,540	20.75

Profit and Loss Analysis
(Rupees in million)



Notice of Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held on 20 March 2013 at Pearl Continental Hotel, Rawalpindi, at 1100 hrs to transact the following business:

Ordinary Business

1. To confirm the minutes of Annual General Meeting held on 27 March 2012.

2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and the Auditors' reports for the year ended 31 December 2012.

3. To appoint Auditor(s) of the Company for the year 2013 and fix their remuneration.

4. To approve payment of final dividend for the year ended 31 December 2012 as recommended by the Board of Directors.

5. Any other business with the permission of the Chairman.

Rawalpindi
25 February 2013

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

Notes:

1. Share transfer books of the Company will remain closed from 14 to 20 March 2013 (both days inclusive).

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

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

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

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

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

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

Chairman's Review

Keeping all the plants in operation and managing them on low gas load throughout the year, was a remarkable achievement.

The year 2012, started off with a severe challenge for all the gas consumers of Pakistan. Fertilizer Industry bore the brunt of gas curtailment especially the plants on the Sui network. This was further impacted with the imposition of Gas Infrastructure Development Cess (GIDC) for fertilizer companies except for companies with fixed price contract. This was followed by floods and import of Urea by Government which was sold well below market price. Thus ever highest inventory of Urea in the country was observed during the year. Fertilizer Industry as a whole, suffered low profitability during the year 2012.

Management and Employees of FFBL made tremendous efforts to ensure maximum running of the plants despite deteriorating gas availability and downgrading of Fertilizer Industry priority in supply of gas from two to three.

By the Grace of Almighty, overall performance of the plants remained satisfactory. Keeping all the plants in operation and managing them on low gas load throughout the year, was a remarkable achievement.

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

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

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

A Word From The Chief Executive

FFBL has a history of facing challenges. From our humble beginning in year 2000, FFBL has turned into a very profitable organization and captured 3rd position in top 25 companies of KSE in 2011 and has proved to be a success story in manufacturing sector of Pakistan.

Year 2012 has been a very challenging year not only for FFBL but also for entire fertilizer industry of Pakistan. This sector has faced its worst crisis this year and resulted in significant reduction in profitability and in certain cases losses due to gas curtailment resulting in forced shutdown of fertilizer plants including FFBL.

FFBL had to completely shut down its Urea plant for more than 127 days during the year due to severe gas curtailment. Average gas received was 54 MSCF per day against the agreed 85 MSCF per day by SSGC resulting in overall curtailment of 36%. Due to this gas curtailment production of Ammonia, Urea and DAP was lower by 23%, 35% and 2% respectively, as compared with the previous year. Further, imposition of Gas Infrastructure Development Cess (GIDC) by GoP has adversely affected the profits of the Company.

FFBL's financial results for the year 2012 have shown significant decline as compared with last year which was an exceptional year in terms of profitability. The main reasons as stated above are gas curtailment, increase in gas and other raw material prices, imposition of GIDC and low demand due to floods which resulted in carrying of huge inventory especially in DAP. These factors reduced our margin both in Urea and DAP.

FFBL is in close coordination with GoP for resolution of energy crisis in Pakistan and stands with it for prioritizing the gas management load to avoid costly imports of fertilizers. FFBL is also in close contact with Ministry of Petroleum and Gas Utility Company by supporting in gas shortages/ high ingesting days and getting the reciprocated response in return. FFBL is confident that with the continued support of GoP and our present status of pre-emptive working we can ride out the tough gas crisis facing the country.

FFBL has always followed a proactive approach towards the sustainability and growth of the Company. We are extensively working on the diversification of investment portfolio. Meat project is the latest to be shared with shareholders which has great potential in terms of returns and growth in the international market.

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

I also wish to acknowledge the contribution of our valued customers, GoP, respected shareholders and other stakeholders in achieving company's success and looking forward for their continued assistance in the future as well.

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

Directors' Report

The Directors are pleased to present 19th Annual Report along with audited Financial Statements of the Company and the Auditors' report thereon for the year ended 31 December 2012.

Pakistan Economy and its Outlook

Worsening economy coupled with deteriorating law and order situation in the country are still presenting a gloomy picture. The investors are shy of making investments due to uncertainty prevailing in the country. Flight of capital from the country continues depriving growth prospects. Fiscal deficit continues to rise depicting our incapability of managing our means and spending.

The last five years have seen economic growth slowing to an average of three percent per annum, industrial growth stagnating at near zero percent, investment rate declining to a 50-year low at 12.5% of GDP, budget deficit averaging seven percent of GDP and public debt doubling.

During this period, the country added $20 billion in external debt, foreign investment dried up and foreign exchange reserves came down. In the meantime, public sector enterprises (PSEs) continued to bleed and consume over Rs. 300 billion annually of taxpayers' money. Inflation continued to persist at double-digit levels for more than 50 months in a row and the rupee lost 36% of its value. Country's economy is still in the phase of recession with challenges like circular debt, energy crisis, decline in investment and poor law and order. Other critical areas of distress for the economy are Government's difficult financial position and dwindling foreign direct investment.

At this juncture, Pakistan must recognize the importance of deeper structural reforms, prepares its own reform agenda, secures broad political support for its reform program, including reforms in the tax system and measures to ensure fiscal discipline. A comprehensive reform in tax system and tax administration on the one hand and expenditure rationalization, reduction in size of Government and reduction in corruption on the other is the key to restore shattered economy. Broadening of tax base, strengthening of the income-tax regime, reduction of subsidies to public sector enterprises and bringing other productive sectors into the tax net can also supplement government's revenues. Short-to-medium term economic agenda has to be devised on war-footings to put the economy back on track. Professional managements are immediately required to be installed in all the loss-making public sector enterprises to stop bleeding of over Rupee 300 billion a year. There is a dire need to put in place cost effective energy plan, encourage foreign direct investments & remittances through favorable economic policies, gradually reduce discount rate for enhancing industrial growth and promote export oriented industries to earn valuable foreign exchange for bridging the gap in balance of payments.

Global Economy

The global economy has yet to shake off the fallout from the crisis of 2008-2009. Global growth dropped to almost 3 percent in 2012, which indicates that about a half a percentage point has been shaved off the long-term trend since the crisis emerged. This slowing trend will likely continue. Mature economies are still healing the scars of the 2008-2009 crisis. But unlike in 2010 and 2011, emerging markets did not pick up the slack in 2012. Uncertainty across the regions –from the post-election 'fiscal cliff' question in the U.S. to the Chinese leadership transition and reforms in the Euro Area – will continue to have global impacts in sluggish trade and tepid foreign direct investment. Across the advanced economies, the outlook predicts 1.3 percent growth in 2013, compared to 1.2 percent in 2012. The slight uptick is largely due to the Euro Area, which is expected to return to very slow growth of 0.2 percent after the -0.6 percent contraction in 2012. U.S. growth is expected to fall from 2.1 percent in 2012 to 1.8 percent in 2013. A more significant slowdown is expected for less mature economies over the next year – and beyond. Overall, growth in developing and emerging economies is projected to drop from 5.5 percent in 2012 to 4.7 percent in 2013, with growth falling in China from 7.8 to 6.9 percent and in India from 5.5 to 4.7 percent. As China, India, Brazil, and others mature from rapid, investment-intensive 'catch-up' growth to a more balanced model, the structural 'speed limits' of their economies are likely to decline, bringing down global growth despite the recovery we expect in advanced economies after 2013.

International Agriculture and Fertilizer Situation

In 2012, world demand responded to very attractive prices for most agricultural commodities. With prevailing strong agricultural market fundamentals, global fertilizer demand in 2013 is projected to increase by 2.5%. Fertilizer demand would increase in all the regions but North America, where declining crop prices compared to last year are expected to lead to lower application rates. Demand growth is seen as regaining momentum in South Asia after the disappointing 2012. The largest increases in volume are anticipated in South Asia and in East Asia.

Year 2012 has shown stronger performance in Urea prices on the back of continuing strong crop demand. South American purchasing was strong in 2012. China and India import demand continues to be a key driver with the effect of large scale sourcing from Iran likely to put downward pressure on prices. Meanwhile the impact of the growing shale gas industry in North America will continue to play an important role in the future of the nitrogen industry and have impacts on key trading markets around the world. World's demand for Urea is forecast to grow at a modest 2.9% per annum.

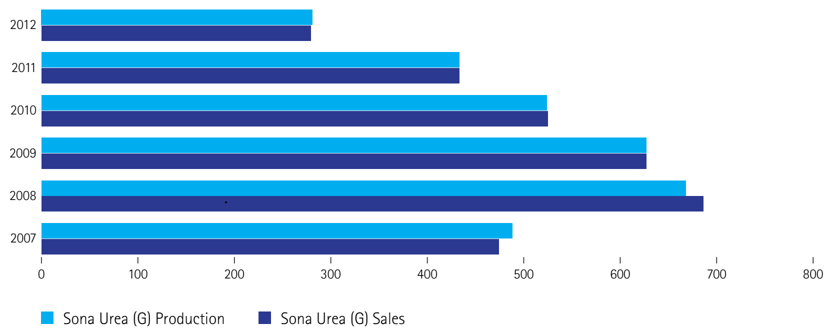
Phosphate rock and phosphate fertilizer production will also witness a number of changes in 2013. Morocco, which currently possesses about 80 percent of global phosphate reserves, is expected to continue to grow its importance in the industry. In particular, the closure of Agrium's Kapuskasing phosphate rock mine in 2013 will result in more phosphate rock being imported from Morocco. Saudi Arabia's Ma'aden will also develop its significant resources, and in doing so will help shift Middle Eastern and North African resources to the center of global agricultural markets. Growth in phosphoric acid capacity is expected in China, Morocco and Brazil. World phosphoric acid capacity is forecast to grow 4% per annum compared with 2011, to 61.3 MT P_2O_5 in 2016. Global supply of phosphoric acid would be close to 49.8 MT P_2O_5 in 2016, representing an average growth rate of 3.7% per annum compared with 2011. The global phosphoric acid supply/demand balance shows a moderate surplus in 2012 and 2013, growing gradually to 3.6 MT P_2O_5 in 2016. If a few projects were to be delayed, a marginal surplus of 2.0 to 2.5 MT per annum would prevail between 2012 and 2016.

Operational Highlights

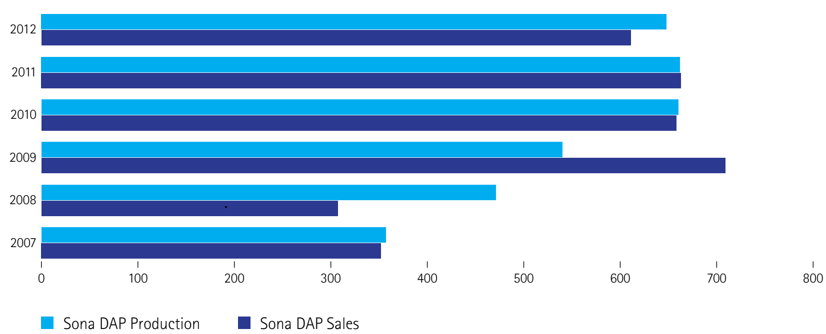
By the grace of Almighty, the overall performance of the plants remained satisfactory and safe during the year except for the severe gas curtailment enforced in the first quarter of the year. This gas curtailment affected overall production for the year in comparison with the year 2011. Production of Ammonia at 307 thousand tonnes, Urea at 281 thousand tonnes and DAP at 648 thousand tonnes was lower by 23%, 35% and 2% respectively, comparing with the corresponding year.

Despite consistent gas curtailment, DAP plant achieved overall production of 648 thousand tonnes. Ever highest production of 70,522 MT in a month was achieved in August 2012. Ever highest production of 2,429 MT in a day was achieved on December 12, 2012.

Urea Production and Sales
(Thousand Tonnes)



DAP Production and Sales
(Thousand Tonnes)



Gas Curtailment

Year 2012 has been a very challenging year not only for FFBL but also for entire fertilizer industry of Pakistan. This sector has faced its worst crisis this year and resulted in significant reduction in profitability and forced shutdown of fertilizer plants including FFBL.

FFBL had to completely shutdown all its plants for more than 60 days in first quarter due to non availability of gas. Further, Urea plant remained closed for 127 days during the year due to gas curtailment which resulted in a sharp decline in its production. Average gas received was 54 MSCF per day against the agreed 85 MSCF per day by SSGC resulting in overall curtailment of 36%.

During the year GoP has changed priority for gas allocation and load management. Fertilizer sector which was on second priority after domestic and commercial sector has now been placed at third priority with power sector moving to second priority. Gas consumption by domestic sector has increased with highest growth rate of about 7%. Situation is worse on Northern Gas utility network resulting in almost complete closure of fertilizer plants.

As a result of this significant gas curtailment the industry could only produce 4.1 million MT of Urea against annual production capacity of 6.9 million MT, a reduction of more than 40%. In order to meet the local demand the GoP then had to import the significant quantity of Urea utilizing precious foreign exchange and then further spending billions of rupees to subsidize it and sell it at local price.

Turnaround 2012

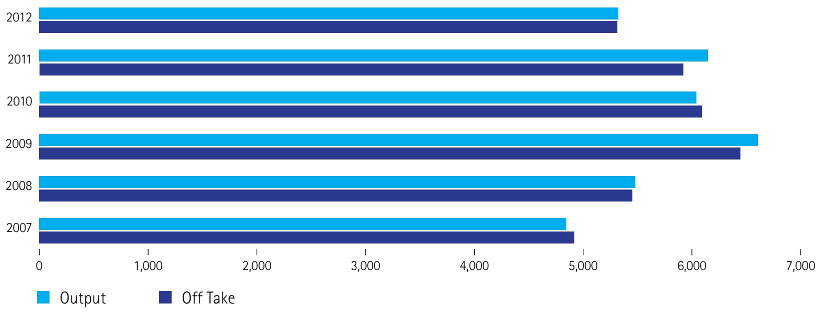
The Company successfully completed annual turnaround during first quarter with the satisfactory inspection and maintenance of all equipments in a safe manner. Regular maintenance of plant and equipment is the key for efficient utilization of production resources. All activities were successfully completed within the stipulated time to improve plant efficiency and reliance. Foreign consultants from different countries also participated in turnaround for various jobs.
Major jobs undertaken during the turnaround are summarized below:

- Replacement of thermal block for Synthesis Gas Turbine
- Overhauling of Power Gas Turbine
- Emergency Shutdown System up-gradation for Urea & Utilities plants
- Emergency Load Shedding System up-gradation

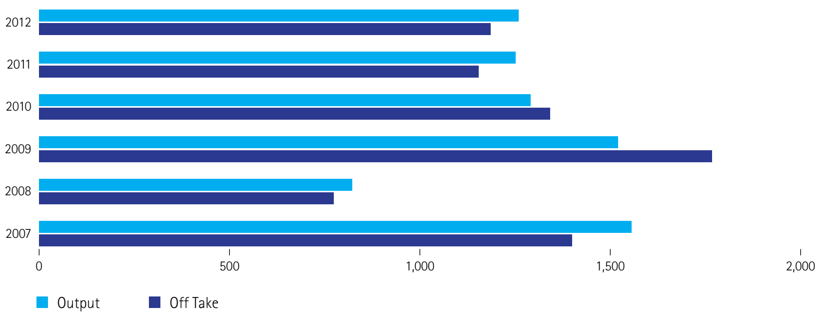
12-12-12

was the day in FFBL's history when we achieved highest production of 2,429 MT of DAP in a day

Industry Data - Urea
(Thousand Tonnes)



Industry Data - DAP
(Thousand Tonnes)



Marketing Highlights

Domestic Fertilizer Market Situation

UREA

Domestic Urea fertilizer market entered into the year 2012 with large Urea inventory of 368 thousand tonnes which is the highest level in last 10 years and 122% higher than 166 thousand tonnes opening inventory of 2011. Indigenous Urea production continued to suffer as only 4,156 thousand tonnes Urea production is estimated for year 2012 which is 15% lower than production of 2011 while industry is capable to produce around 6.9 million tonnes of Urea. Government of Pakistan (GoP) imposed Gas Infrastructure Development Cess (GIDC) on gas supplies to some fertilizer plants from January 01, 2012. Consequently the 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. GoP decision of importing Urea as a substitute of production loss due to gas curtailment kept on adding to Urea inventories. This created an oversupplied Urea market in the country resulting in downward slide of market prices that drastically brought down the dealer profit margins and in some areas the retail prices were below the company transfer prices. This led to an inventory build up estimated to be around 1 million tonnes at November end 2012, which is the highest ever month end inventory in the history of fertilizer industry.

The news of imposition of GIDC and advance income tax on fertilizer sales from July 1, 2012 along with reduction in Urea prices by Rs. 145/- per bag by the local manufacturers boosted the Urea sales which crossed million tonnes mark in June 2012, the highest ever sales in a month in the history of Urea industry. The net increase of Urea price during the period Jan-Dec 2012 was Rs. 70 per bag. GoP imposed withholding tax @ 0.5% of the selling price for fertilizer sales w.e.f. July 01, 2012 which was later suspended on December 24, 2012.

Urea sales were low in the third quarter (Jul-Sep) due to ongoing post monsoon rains and flash floods in southern Punjab, upper Sindh and some parts of Balochistan. Inventory started to pile up again due to regular imports of Urea by GoP, although all plants operating on gas from national grid were closed down due to gas outages and added limited production.

Industry Urea sales for 2012 are estimated at 5,276 thousand tonnes showing a decline of 11% against 5,926 thousand tonnes sales of 2011. GoP imports for the year 2012 are estimated to be 1,168 thousand tonnes 6% lower than the imports of 1,241 thousand tonnes in the year 2011. Urea inventory at year end 2012 is estimated

at around 376 thousand tonnes almost same as closing inventory of 368 thousand tonnes at year end 2011.

DAP

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

Bearish trend in domestic DAP market was observed during Jan-Sep 2012 as international DAP prices which were high towards the end of 2011 started going down this year and remained low vis-à-vis the prices of 2011. In view of the depressed market, the fertilizer marketing companies reduced their DAP prices by Rs. 525 per bag during the first three quarters of 2012. The low demand of DAP at farmers end in the first three quarters is attributed to high input costs, weak commodity prices and availability of cheap alternatives such as NP and SSP. The use of these substitutes will lead to imbalanced use of fertilizers. However market conditions changed in the last quarter of 2012 due to DAP application and seasonal demand. DAP prices were revised upwards by Rs. 260 per bag in the last quarter of 2012 bringing the net reduction during the year to Rs. 265 per bag against the year ending price of 2011.

On the supply side, DAP production for year 2012 is 648 thousand tonnes which is 2% lower than 662 thousand tonnes production in 2011, while DAP imports for the year 2012 are estimated to be 611 thousand tonnes 4% higher than the imports of 589 thousand tonnes in the year 2011. Closing inventory of DAP at year end 2012 is estimated around 165 thousand tonnes which is considerably higher by 79% vis-a-vis closing inventory of 92 thousand tonnes at year end 2011.

FFBL Sales Performance

Sona Urea (G) sales for the year 2012 are 279 thousand tonnes with an achievement of 82% against the targets due to lower production because of the gas curtailment. These sales are 36% lower as compared to 433 thousand tonnes sales during the same period of 2011.

Sona DAP sales during the year 2012 are 611 thousand tonnes with an achievement of 98% against the targets. These sales are 8% lower as compared to 662 thousand tonnes sales of year 2011.

Share of FFBL in the domestic market of Urea and DAP is estimated to be 5% and 52% respectively for year 2012.

Financial Review

FFBL's financial results for the year 2012 have shown significant decline as compared with last year. The main reasons are low production due to gas curtailment, imposition of Gas Infrastructure Development Cess (GIDC), low demand due to floods and over supply position due to import of Urea by GoP.

GoP imposed GIDC effective from Jan 01, 2012 on feed and fuel gas. This has annual impact of Rs. 2.9 billion.

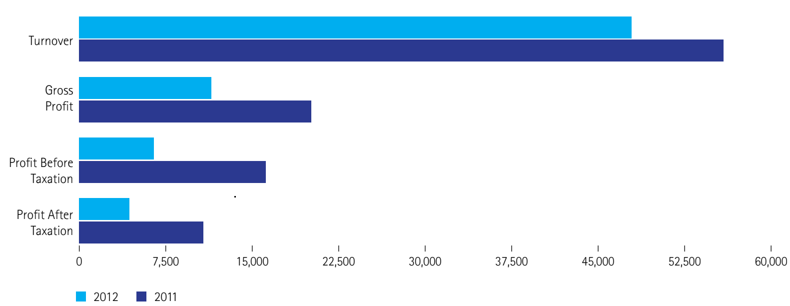
The Company earned a gross profit of Rs. 11,461 million as compared to Rs. 20,116 million in the corresponding year. Financial charges have increased to Rs. 1,821 million from Rs. 1,088 million due to the higher utilization of working capital lines. This includes exchange loss of Rs. 435 million on account of devaluation of Pak Rupee against the US Dollar. Treasury income of Rs. 853 million was lower by Rs. 497 million as compared to Rs. 1,350 million of corresponding period.

Financial Highlights

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

	2012	2011
	Rs (million)	
Turnover	47,911	55,869
Gross Profit	11,461	20,116
Profit before taxation	6,469	16,170
Profit after taxation	4,338	10,767
Earnings per share (Rs)	4.64	11.53

Profitability Anlysis
(Rupees in million)



Net profit after tax stood at Rs. 4,338 million against Rs. 10,767 million for the corresponding year. Company's earnings per share (EPS) at December 31, 2012 stood at Rs. 4.64 against an EPS of Rs. 11.53 in the corresponding year.

Contribution to National Exchequer and Value Addition

During the year, the Company has contributed an amount of Rs. 11,410 million, as against Rs. 15,477 million in 2011, towards the National Exchequer

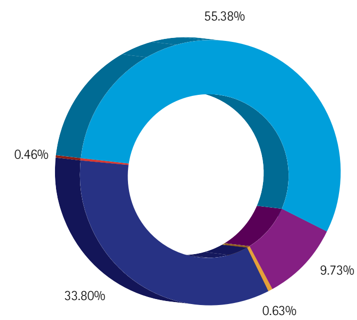
FFBL Performance at a Glance

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

Year	1st Quarter EPS	1st Quarter DPS	2nd Quarter EPS	2nd Quarter DPS	3rd Quarter EPS	3rd Quarter DPS	4th Quarter EPS	4th Quarter DPS	Annual EPS	Annual DPS
2012	(0.41)	-	1.10	-	1.59	2.25	2.36	2.25	4.64	4.50
2011	1.67	1.25	2.09	2.25	3.91	3.00	3.86	3.50	11.53	10.00
2010	0.87	0.50	0.98	1.30	1.29	1.25	3.83	3.50	6.97	6.55
2009	0.01	0.50	0.52	1.25	1.40	-	2.12	2.25	4.05	4.00
2008	0.17	0.60	0.60	-	(0.19)	-	2.52	2.25	3.10	2.85
2007	0.40	0.50	0.17	1.00	1.08	-	1.07	1.00	2.72	2.50

	2012 Rs (million)	%	2011 Rs (million)	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	56,873	276.00	65,205	226.13
Purchases - material and services	(36,267)	(176.00)	(36,370)	(126.13)
	20,606	100.00	28,835	100.00
WEALTH DISTRIBUTION				
To Employees				
Salaries, wages and other benefits	2,004	9.73	2,013	6.98
To Government				
Income tax, sales tax, custom and excise duty	11,062	53.69	14,556	50.48
WPPF	348	1.69	921	3.19
To Society				
Donations and welfare activities	95	0.46	7	0.02
To Providers of Capital				
Dividend to shareholders	5,657	27.45	9,129	31.66
Finance cost of borrowed funds	1,309	6.35	780	2.71
Retained in the Company	131	0.63	1,429	4.96
	20,606	100.00	28,835	100.00

Wealth Distribution - 2012
(Percentage)



on account of Government levies, taxes and import duties etc. Value addition in terms of net foreign exchange savings worked out to US $ 517 million through import substitution by manufacturing 281 thousand tonnes of Urea and 648 thousand tonnes of DAP during 2012. Contribution to the economy included Rs. 5,657 million in the form of Shareholders' returns through cash dividends, Rs. 1,309 million on account of payments to providers of capital in the form of mark-up and interest, while employees' remuneration & benefits stood at Rs. 2,004 million.

Cash flow Management

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

Capital Management

There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements. In order to achieve our goals for the betterment of the Company and to the overall economy of Pakistan, we shall continue to explore and tap opportunities, face challenges wherever required. Government policies, global & domestic economic forces and the money market would play a vital role in our decisions and ability to meet business objectives.

Financial Reporting

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

Dividend

Based on the performance of the Company, the Board is pleased to propose a final dividend of Rs. 2.25 per share in respect of the financial year ended December 31, 2012. This final dividend will be subject to the approval of shareholders in their meeting scheduled on March 20, 2013. Moreover, one interim dividend of Rs. 2.25 per share was also paid during the year.

Risk Management

Risk management is the process of identifying, quantifying, and managing the risks that an organization faces. As the outcomes of business activities are uncertain, they are said to have some element of risk. These risks include strategic failures, operational failures, financial failures, market disruptions, environmental disasters, and regulatory violations.

While it is impossible that companies remove all risk from the organization, it is important that they properly understand and manage the risks that they are willing to accept in the context of the overall corporate strategy. The management of the Company is primarily responsible for risk management, but the Board of Directors, internal auditor and external auditor also play critical roles.

Assessment of Effectiveness of Risk Management

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

Internal Control System

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

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

Major Risks faced by FFBL alongwith mitigating factors are given below:

Risk		Mitigating Factors
Strategic	**Supply of Phosphoric Acid**	FFBL has a joint venture with OCP group Morocco to ensure uninterrupted supply of Phosphoric Acid.
	Frequent Technological Advancements	FFBL uses proactive approach in introducing and implementing the latest technology from time to time. Our plants are high-tech with state of the art technology which is continuously upgraded.
Environmental	**Environmental Risk**	Since inception management at FFBL is very conscious about environmental safety and has never compromised on contributing to improve environment & safety standards in order to emerge as environment friendly organization.
Financial	**Interest Rate Risk**	FFBL manages its working capital requirements by maintaining a mix of Foreign Currency Import Finance (FCIF), Demand Finance and RF lines. KIBOR movement is closely monitored.
	Liquidity Risk	Availability of funds is always ensured prior to any payment or contractual obligation. Working capital lines are also available to avoid any cash crunch.
	Credit Risk	Investments with financial institutions are carried out in accordance with their credit ratings. Furthermore diversified investment portfolio is maintained.
	Market Risk	The Company stands exposed to all market risks in the normal course of its business operations.

Best Corporate Practices

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

Annual financial statements have been audited by the external auditors and approved by the Board within one month after the closing date and will be presented to the shareholders in the Annual General Meeting for approval on March 20, 2013.

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

Corporate Governance

The Company complies with the Code of Corporate Governance as contained in the listing regulations of the Stock Exchanges. The Board's primary role is to protect and enhance long term shareholders' value. To fulfill the same it is responsible for the overall corporate governance of the Company including approving and monitoring the capital expenditure, giving strategic direction, appointing, removing and creating succession policies for directors and senior management, defining and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. The Board has formally delegated responsibility for administration and operation of the Company to the Chief Executive & Managing Director. Following committees have also been constituted which work under the guidance of the Board of Directors:-

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

Code of Conduct

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

Auditors

Present auditors, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, have retired and offered themselves for re-appointment. The Audit Committee recommended their re-appointment for the year 2013 on mutually agreed terms and conditions.

SAP – ERP System & Paperless Environment

With the successful implementation of SAP-ERP Project in 2010, the vision was upheld to leverage the benefits of automation by adding more value in the business processes, having a close eye on the operations, and building blocks on the ERP (SAP) solution meeting the requirements of the corporate strategy.

In year 2012, streamlining the implemented system, in-house audit, gap analysis, controls enforcement and emphasis on analytical reports development were the key tasks in achieving the post implementation objectives.

Key benefits realized in following areas:

- Changes in organizational structure were aligned with the automated business processes work flow and organizational empowerment matrix ensuring that the business transactions are governed by in-placed policies, procedures & controls.

- Introduction of bar code system integrated with SAP Ware House Management ensures real time stock status, reduced efforts in reconciliation of physical and system stock levels, accuracy in inventory and expense values resulted in efficient and effective Ware House operations with optimum resources.

- SAP Business Intelligence (BI) implementation enabled the performance management through departmental Key Performance Indictors (KPIs), trend analysis on historical data, forecasting scenarios and analytical reporting based dashboards for Executives.

Inventory Management System further enhanced by covering Tools and Civil satellite stores. Applications developed in house in SAP enabled both Stores online with better controlled issuance, returns, damage handling and prompt availability of information access to all concerned.

The enhanced deployment of a central document repository and integration of new processes in functional areas further increased the efficiency and resulted in cost savings.

Integrated business process enabled with electronic workflow has resulted in significant reduction of paper / stationary consumption, increased efficiency with minimal follow-up, reduced processing time and reduced data entry tasks.

FFBL ERP is committed to operational excellence and enables upcoming business opportunities and challenges making good use of technology.

Changing the way we used to frame possibilities with technology

Corporate Social Responsibility

In its 13 years of operating history, FFBL has distinguished itself as a good neighbor, not only have we consistently delivered outstanding returns to our shareholders, we have worked hard to be a good employer, to be a catalyst for the social and economic development of the communities in which we operate, and to minimize our environmental impact.

We are committed to conducting our business with a genuine concern for the world around us, in particular where our business has a potential direct impact. FFBL remains committed to an environmental policy of collaborating fully with regulatory authorities and local communities to minimize the effects of it activities on the natural and human environments associated with its operations.

We have continued our role as a responsible corporate citizen. In year 2011 community investments and welfare schemes were handed over to Human Development Foundation (HDF) with a project cost of 39 million rupees for a period of five years. HDF is a Non Governmental Organization (NGO) registered both in North America and Pakistan. HDF is engaged in community development activities with special emphasis on health and education promotion.

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

- Social Mobilization – a continuous process, six Village Development Organizations (VDOs) have been formed to create awareness, improve living conditions and to socially engage the elders resulting in overwhelming response from the locals. Social organizers are working in the field besides looking after the project.
- Basic Health Facilities
  A community health centre (CHC) has been established constituting 02 medical officers (1x male and 1x female) and necessary para medical staff treating 60 to 70 patients per day. Moreover 01 clinical laboratory has also been established to carry out baseline investigations.
- Education – An elementary girls school (6th garde-8th grade) has been established in rented building. Presently 38 local girls have been enrolled and three teachers have been employed for the purpose. Construction of school building is in process and gradual enhancement to 10th grade is planned with emphasis on female/adult literacy.
- Environmental Sustainability
  A water filtration plant has been established and is in service at Goth Natho Khoso. Installation of

We are determined towards enhancing lives - by contributing to the community more than ever before

further three water purification plants have also been planned in vicinity of Ghaggar Union Council during next three years.

- Economic Development –Young members of the community have been enrolled for various diplomas and short courses through FFBL in technical/vocational training institutes, namely Vocational Training Centre, Steel Town, Karachi, Hunar Foundation, Karachi and Sind Madrasa Board Institute of Technology, Gadap, Karachi. FFBL in collaboration with other organizations is also providing financial assistance to the enrollees.

In recognition of our vision and its implementation through contributions in the field of Corporate Social Responsibility, the National Forum for Environment and Health has awarded CSR Business Excellence Award 2012 in the category of community development program in 2012.

Sponsorship to IBA

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

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

Financial Assistance to Shaukat Omar Memorial Hospital

FFBL's core values emphasize on active participation in improving basic health amenities. Shaukat Omar Memorial Hospital (SOMH), Karachi, is a welfare project of Fauji Foundation having both inpatient and outpatient facilities. SOMH also provides free of charge medical facilities to the deserving patients. In order to contribute in serving humanity, FFBL has provided financial assistance of Rs. 50 million to SOMH for up gradation of Patient Support Facilities during 2012.

Energy Conservation

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

As a part of our continual improvement program, we consistently improve the specific consumption of gas that we use to produce Urea & DAP.

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

- Ammonia BMR.
- DAP Revamp.
- Commissioning of Hydrogen Recovery Unit.
- Utilization of Total Purge Gases in Boilers.

Environmental Protection Measures

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

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

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

Few highlights regarding environment protection measures by FFBL are as follows:

- Effective monitoring and control of emissions and discharges.
- Third party analysis of environmental samples.
- Investment in new technologies to improve environmental monitoring.

The Company is very much concerned

about its environmental performance with respect to gaseous and liquid effluents as part of moral and legal obligation. Being a member of "Self Monitoring and Reporting Tool" (SMART) program launched by federal "Environmental Protection Agency" (EPA), monthly report of all analysis of gaseous and liquid effluents is submitted to "Sindh Environmental Protection Agency" (SEPA) on regular basis. All of these parameters remained well within the limits of NEQS.

To add value to this reporting, the Company arranged a third party analysis from M/s SGS Lab (a certified laboratory by SEPA) for all gaseous and liquid effluents. All of these third party reports were in line with FFBL reporting and under NEQS limits.

FFBL actively strives to mitigate all adverse environmental impact arising out of our operations and strictly adheres to all legal regulations. We care deeply about how our operations and products affect our stakeholders. We bring awareness to all our employees for the improvement of environment, health and safety at work place. Company facilitates its officials to visit abroad for Company attending meeting / conferences on environment, health and safety to enhance their abilities and awareness. There is no doubt to say that FFBL's commitments in these areas are at par with productivity, quality and profitability.

Occupational Safety & Health

FFBL is committed for maintaining a safe workplace by following safety and health rules and practices. FFBL is striving to make a safe and incident-free workplace. In their "Safety First" policy, the company put forth all its efforts to incorporate safety & health in all its programs, awareness campaigns and implementations.

Safety activities are conducted that could enhance active participation by all employees such as Safety Talk, Safety Slogan Competition, and Safety Trainings.

Plant completed 7.24 million man-hours and 46 months of safe operations on December 31, 2012 since last Loss Time Injury in February 2009. FFBL is member of National Safety Council, USA, since 2001. The membership for the year 2012-13 was renewed in March 2012.

Fire Protection Association of Pakistan (FPAP) and National Forum for Environment & Health (NFEH) have jointly bestowed FFBL with an Excellence Award and a Certificate in recognition of its performance in compliance to safe work practices, comprehensive fire fighting facilities and safety culture among contemporary industries.

Shareholders' Information

To update shareholders about the operations, growth and state of affairs of the Company, the management promptly disseminates all material information including announcement of interim and final results to the Stock Exchanges. Quarterly, half yearly and annual financial statements are accordingly circulated within stipulated time frame to all concerned. Similarly, notices and announcements of dividend are transmitted to all stakeholders and regulators within the time, laid down in the Code of Corporate Governance, Companies Ordinance 1984 and listing regulations of Stock Exchanges. The same are also uploaded immediately on Company's website (http://www.ffbl.com).

Shareholding Pattern

Company shares are quoted on all three Stock Exchanges i.e, Karachi, Lahore and Islamabad. A total of 566.70 million Company shares were traded on the Karachi Stock Exchange during the year and the free float stood at 31.36%. The market capitalization of the Company stock was recorded at Rs. 36.05 billion at the close of 2012. FFBL shares were subject to a wide range of trading from a high of Rs. 50.88 per share to a low of Rs 35.30 per share, closing the year at Rs. 38.59 per share.

There were 16,749 shareholders of the Company's equity at the close of 2012. About 82.40 % of total shares outstanding were closely held by the sponsors, investment companies, financial institutions and other corporate bodies. About 2.42 % shares were kept by the foreign shareholders.

Top 25 Companies Award

FFBL again joins the elitist club at the Karachi Stock Exchange (KSE) for the third consecutive year and secured 3rd position for the year 2011, among the top twenty five companies registered at this premier stock exchange of the Country. This is a matter of pride for the Company as the membership of the exchange stands close to 654 companies.

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

Best CEO & CIO Awards

FFBL is honoured to have received Best CEO Award for the "Chemical Sector" and Best CIO Award during 2nd Annual CEO/CFO/CIO Award Ceremony organized by Mass Human Resource Services in collaboration with Karachi Stock Exchange and Pakistan Standard and Quality Authority.

Human Capital Development

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

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

Some of the major initiatives in the Human Capital domain in 2012 include the following:

- Formulation of Empowerment Matrix to ensure an efficient and effective decision making system across the Company.
- Alignment of human resource policies and procedures with best practices.
- Development of competency framework.
- Position rationalization and clarification.
- HR Business Intelligence reports to assist managers in accessing and using data to make faster and better informed decisions.
- Focused training and development programs across the board for enhancing technical and managerial expertise of the Human Capital. In 2012, the Company achieved approximately 24 hours of training per employee.

Picking the
right people
and giving them
the opportunity
to spread their
wings...

Employees Retirement Benefits

FFBL offers retirement benefits plans to its employees which include Provident and Gratuity Funds. The value of investments of these funds as on 31 December 2012 is as under:-

	Un-audited 2012	Audited 2011
	Rs (millions)	
Provident Fund	834	642
Employees Gratuity Fund	305	225

Relations with Personnel & Community

FFBL is committed to provide an environment that encourages cordial relations within and across teams, based on mutual respect and confidence, which in turn contributes to the optimum efficiency.

At community level, FFBL in association with HDF is involved in improvement of living conditions of five Union Councils of Gaggar Town nearby the plant site. The initiative includes provision of better health and environment, improved literacy, safe drinking water, improved sanitation, technical and vocational training etc.

Stakeholder Engagement

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

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

Pakistan Maroc Phosphore, SA (PMP)

By the Grace of Almighty, overall performance of the plants at PMP remained satisfactory during the year 2012. PMP achieved the production of 354 thousand tonnes of Phos acid against the budget of 352 thousand tonnes. 80% of the total production was exported to FFBL. Also PMP completed 2 million safe man hours on July 06, 2012.

On fiscal front, however, year 2012 remained a challenging year owing to imbalance between input and output prices, as was expected and indicated in the last year Directors' Report. Throughout the year 2012, there had been less improvement in output prices i.e. of phos acid as compared to increase in the input prices mainly of phos rock and sulphur; thereby impacting margins adversely.

With recent fall of prices in the international fertilizer market and indications going forward, Year 2013 again looks a quite challenging year in terms of PMP financial results. However, all out efforts are committed by PMP Management to bring the best possible results under the circumstances.

Wind Power Projects

Following shareholders approval in the 16th Annual General Meeting the Company paid Rs. 1,017 million towards two wind power projects, Foundation Energy- I Limited (formerly Beacon Energy Limited) and Foundation Wind Energy- II (Private) Limited (formerly Green Power (Private) Limited) 49.5 MW each. Total estimated cost of each plant is US Dollar 130 million. The projects have a "Debt to Equity" ratio of 75:25. The Company will eventually hold 35% shareholding in each project. The projects are expected to commence commercial production in 2013. EPC contracts have been signed. The payments against EPC are subject to tariff determination by Alternative Energy Development Board (AEDB).

Meat Processing & Export Business

FFBL Management envisaged the importance of company's growth through business expansion & diversification, and decided to get into Food Business in general and Meat Business in specific. Our feasibility study for meat is almost complete and soon we will move into the project erection/execution phase.

Pakistan has the 4th largest herd for goat in the world with 60 million heads, 8th largest cattle herd with 34 million heads at steady growth rate of 4.5% and 9th largest herd of sheep with 28 million heads. The sector is barely touched by the corporate sector and has huge potential for growth with nearby markets like GCC. The domestic consumption of meat is also growing at a healthy rate of 2.8%.

Board's Performance

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

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

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

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

CEO's Performance Review

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

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

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

In recognition of CEO's performance, contributions and successfully operating the organization, Mass Human Resource Services (MHRS), Karachi Stock Exchange (KSE) and Pakistan Standard Quality Control Authority (PHQCA) awarded 2nd best CEO award for the year 2011-12 to the Lt Gen Muhammad Zaki, HI, HI(M), (Retd), Chief Executive and Managing Director, Fauji Fertilizer Bin Qasim Limited.

Business Challenges & Future Outlook

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

Although Company has managed to achieve the good profits in the year 2012, however year 2013 would be another challenging year due to persistent gas curtailment, implementation of various investment and diversification projects. Despite all challenges FFBL is committed to perform and deliver best possible results under very challenging business and political environment. We shall continue to meet our strategic objectives, long term goals and contribute towards country's betterment.

Board of Directors

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

Vacation of Directors

Lt Gen Malik Arif Hayat, HI(M), (Retd), Brig Jawaid Rashid Dar, SI(M), (Retd), Brig Liaqat Ali, TI(M), (Retd) resigned from the Directorship of the Company during the year and Lt Gen Naeem Khalid Lodhi, HI(M), (Retd), Maj Gen Ghulam Haider, HI(M), (Retd) and Brig Muhammad Saeed Khan, (Retd) were appointed Directors of the Company respectively. The Board places on record its appreciation for the services rendered by the retired Directors.

Board Committees

Audit Committee

Terms of Reference

The Committee comprises five members including its Chairman. Four members are non-executive directors, while one is independent director. The Committee meets at least once every quarter of the financial year. It reviews Company's interim and annual financial results, business plans and internal audit department reports, prior to the approval by Board of Directors. It also recommends to the Board the appointment of external auditors and advises on the establishment and maintenance of the framework of internal control and appropriate ethical standards for the management of the Company.

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

Name	Attendance	Remarks
Lt Gen Muhammad Mustafa Khan (Retd)	6	
Lt Gen Muhammad Zaki (Retd)	6	
Lt Gen Malik Arif Hayat (Retd)	1	Resigned with effect from 26 Mar 2012
Lt Gen Naeem Khalid Lodhi (Retd)	5	Appointed with effect from 27 Mar 2012
Mr Qaiser Javed	6	
Dr Nadeem Inayat	6	
Brig Jawaid Rashid Dar (Retd)	1	Resigned with effect from 22 Feb 2012
Maj Gen Ghulam Haider (Retd)	5	Appointed with effect from 23 Feb 2012
Brig Liaqat Ali (Retd)	2	Resigned with effect from 6 Jun 2012
Brig Muhammad Saeed Khan (Retd)	4	Appointed with effect from 7 Jun 2012
Brig Parvez Sarwar Khan (Retd)	6	
Brig Dr Gulfam Alam Khan (Retd)	6	
Mr Naved A. Khan	4	
Mr Nasier A. Sheikh	6	
Dr Rashid Bajwa	5	

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

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

Technical Committee

Terms of Reference

The Committee comprises five members including its Chairman. Four members are non-executive directors, while one is independent director. It reviews all technical matters pertaining to the plant operations and capital expenditure of the Company. During the year, four meetings of the Technical Committee were held, attendance by the members was as follows:-

Name	Attendance	Remarks
Brig Liaqat Ali (Retd)	1	Resigned with effect from 6 Jun 2012
Maj Gen Ghulam Haider (Retd)	3	Appointed with effect from 23 Feb 2012
Dr Nadeem Inayat	1	
Brig Parvez Sarwar Khan (Retd)	4	
Brig Dr Gulfam Alam (Retd)	2	
Dr Rashid Bajwa	3	

Human Resource & Remuneration (HR&R) Committee

Terms of Reference

HR Committee was renamed as HR&R Committee as per Code of Corporate Governance 2012. The Committee comprises five members including its Chairman. Four members are non-executive directors, while one is independent director. It reviews all HR related matters of the Company. During the year, one meeting of the HR&R Committee was held, attendance by the members was as follows:-

Name	Attendance
Dr Nadeem Inayat	1
Brig Parvez Sarwar Khan (Retd)	1
Brig Dr Gulfam Alam (Retd)	1
Brig Muhammad Saeed Khan (Retd)	1
Mr Naved A. Khan	-

Training of the Board

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

Directors' Statement

Directors are pleased to state that:

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

Acknowledgment

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

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

For and on behalf of the Board

Lt Gen Muhammad Mustafa Khan
HI(M), (Retd)
Chairman
11 Jan 2013

Our people, our core business's performance and our prowess in fertilizing puts us on a yielding path, every year

Fauji Fertilizer Bin Qasim Limited

Financial Statements

for the year ended December 31, 2012

Statement of Compliance
with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in regulations no 35 (XI) of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of Corporate Governance.

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

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

Category	Names
Non-Executive Directors	Lt Gen Muhammad Mustafa Khan, HI(M), (Retd)
	Lt Gen Naeem Khalid Lodhi, HI(M), (Retd)
	Mr Qaiser Javed
	Dr Nadeem Inayat
	Maj Gen Ghulam Haider, HI(M), (Retd)
	Brig Parvez Sarwar Khan, SI(M), (Retd)
	Brig Dr Gulfam Alam, SI(M), (Retd)
	Brig Muhammad Saeed Khan (Retd)
Executive Director	Lt Gen Muhammad Zaki, HI, HI(M), (Retd)
Independent Directors	Mr Naved A. Khan
	Mr Nasier A. Sheikh
	Dr Rashid Bajwa

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

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

4. Four casual vacancies occurring on the Board on 1 Jan 2012, 22 Feb 2012, 26 Mar 2012 and 6 Jun 2012 were filled up by the Directors within stipulated period.

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

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

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

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

9. The Board arranged five training programs for its directors during the year.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

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

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

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

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

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

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

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

18. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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

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

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

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

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

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

Rawalpindi
January 11, 2013

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

We have reviewed the Directors' Statement of Compliance with the best practices ("the Statement") contained in the Code of Corporate Governance prepared by the Board of Directors of Fauji Fertilizer Bin Qasim Limited, ("the Company") to comply with the Listing Regulation No. 35 of Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and Chapter XI of the Listing Regulation of Islamabad Stock Exchange Limited, where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2012.

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner
Muhammad Rehan Chughtai

Islamabad
11 Jan 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of Fauji Fertilizer Bin Qasim Limited ("the Company") as at December 31, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2012 and of the profit, its cash flows and changes in equity for the year then ended; and

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

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner
Muhammad Rehan Chughtai

Islamabad
11 Jan 2013

Balance Sheet
as at December 31, 2012

	Note	2012	2011
		(Rupees'000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	9,341,100	9,341,100
Capital reserve	5	228,350	228,350
Statutory reserve		6,380	6,380
Translation reserve		712,205	684,073
Accumulated profit		2,342,794	3,375,779
		12,630,829	13,635,682
NON - CURRENT LIABILITIES			
Long term loan and deferred Government assistance	6	1,232,320	3,241,002
Deferred liabilities	7	3,672,639	3,640,142
		4,904,959	6,881,144
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	8	11,176,011	10,671,400
Mark - up accrued	9	280,606	204,389
Short term borrowings	10	9,216,660	7,476,144
Current portion of long term loan and deferred Government assistance	6	2,008,682	648,201
Provision for income tax - net		485,864	659,304
		23,167,823	19,659,438
		40,703,611	40,176,264

CONTINGENCIES AND COMMITMENTS 12

The annexed notes 1 to 36 form an integral part of these financial statements.

	Note	2012	2011
		(Rupees'000)	
NON - CURRENT ASSETS			
Property, plant and equipment	13	13,822,842	14,410,169
Intangible assets	13	9,280	46,399
Long term investments	14	3,527,062	2,710,837
Long term deposits		76,312	76,312
		17,435,496	17,243,717
CURRENT ASSETS			
Stores and spares	15	2,011,482	1,905,738
Stock in trade	16	4,876,305	3,406,993
Trade debts	17	2,469,075	646,516
Advances	18	448,063	440,050
Trade deposits and short term prepayments	19	23,641	12,920
Interest accrued		39,317	51,041
Other receivables	20	2,994,808	2,180,232
Sales tax refundable		66,457	66,457
Short term investments	21	1,550,000	8,838,237
Cash and bank balances	22	8,788,967	5,384,363
		23,268,115	22,932,547
		40,703,611	40,176,264

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR**

Profit and Loss Account
for the year ended December 31, 2012

	Note	2012	2011
		(Rupees'000)	
Turnover	23	47,911,164	55,868,834
Cost of sales	24	(36,450,042)	(35,753,264)
GROSS PROFIT		11,461,122	20,115,570
Selling and distribution expenses	25	(2,665,725)	(2,553,795)
Administrative expenses	26	(984,013)	(777,290)
		7,811,384	16,784,485
Finance cost	27	(1,821,471)	(1,087,870)
Other operating expenses	28	(565,239)	(1,177,080)
		5,424,674	14,519,535
Other operating income			
Share of profit of joint venture and associates - net	14	6,743	240,695
Others	29	1,038,010	1,409,714
		1,044,753	1,650,409
PROFIT BEFORE TAXATION		6,469,427	16,169,944
Taxation	30	(2,131,279)	(5,402,796)
PROFIT AFTER TAXATION		4,338,148	10,767,148
Earnings per share – basic and diluted (Rupees)	31	4.64	11.53

The annexed notes 1 to 36 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR**

Statement of Comprehensive Income

for the year ended December 31, 2012

	2012	2011
	(Rupees'000)	
Profit after taxation	4,338,148	10,767,148
Other comprehensive income		
Exchange difference on translating a joint venture	28,132	(398)
Total comprehensive income	4,366,280	10,766,750

The annexed notes 1 to 36 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement

for the year ended December 31, 2012

	Note	2012	2011
		(Rupees'000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	5,414,055	15,354,788
Finance cost paid		(1,309,119)	(780,319)
Taxes paid		(2,266,323)	(5,244,030)
Payment to Gratuity Fund		(34,417)	(46,282)
Compensated absences paid		(13,180)	(9,483)
Payment to Workers' (Profit) Participation Fund		(348,162)	(921,005)
Net cash generated from operating activities		1,442,854	8,353,669
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(851,076)	(1,089,895)
Long term investment		(781,350)	(235,285)
Proceeds from sale of property, plant and equipment		10,757	6,046
Short term investments		8,078,520	(6,625,219)
Profit received on bank balances and term deposits		369,683	436,234
Net cash generated from / (used in) investing activities		6,826,534	(7,508,119)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		-	(208,472)
Long term murabaha - repayments		-	(19,338)
Long term loan - repayments		(648,201)	(648,201)
Short term borrowing - net		(2,800,000)	2,168,762
Dividend paid		(5,657,099)	(9,128,647)
Net cash used in financing activities		(9,105,300)	(7,835,896)
Net decrease in cash and cash equivalents		(835,912)	(6,990,346)
Cash and cash equivalents at beginning of the year		5,553,219	12,543,565
Cash and cash equivalents at end of the year		4,717,307	5,553,219
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
- Cash and bank balances	22	8,788,967	5,384,363
- Short term highly liquid investments	21	1,550,000	1,250,000
- Short term running finance		(5,621,660)	(1,081,144)
		4,717,307	5,553,219

The annexed notes 1 to 36 form an integral part of these financial statements.

CHAIRMAN　　　CHIEF EXECUTIVE　　　DIRECTOR

Statement of Changes in Equity
for the year ended December 31, 2012

	Share capital	Capital reserve	Statutory reserve	Translation reserve	Accumulated profit	Total
		Reserves				
	(Rupees '000)					
Balance as at January 01, 2011	9,341,100	228,350	6,380	684,471	1,949,731	12,210,032
Total comprehensive income						
Profit for the year after taxation	-	-	-	-	10,767,148	10,767,148
Other comprehensive income for the year	-	-	-	(398)	-	(398)
Total comprehensive income for the year	-	-	-	(398)	10,767,148	10,766,750
Transactions with owners, recorded directly in equity						
Distributions to owners						
Final dividend 2010 (Rs. 3.50 per ordinary share)	-	-	-	-	(3,269,384)	(3,269,384)
Ist interim dividend 2011 (Rs. 1.25 per ordinary share)	-	-	-	-	(1,167,638)	(1,167,638)
2nd interim dividend 2011 (Rs. 2.25 per ordinary share)	-	-	-	-	(2,101,748)	(2,101,748)
3rd interim dividend 2011 (Rs. 3.0 per ordinary share)	-	-	-	-	(2,802,330)	(2,802,330)
Total transactions with owners	-	-	-	-	(9,341,100)	(9,341,100)
Balance as at December 31, 2011	9,341,100	228,350	6,380	684,073	3,375,779	13,635,682
Balance as at January 01, 2012	9,341,100	228,350	6,380	684,073	3,375,779	13,635,682
Total comprehensive income						
Profit for the year after taxation	-	-	-	-	4,338,148	4,338,148
Other comprehensive income for the year	-	-	-	28,132	-	28,132
Total comprehensive income for the year	-	-	-	28,132	4,338,148	4,366,280
Transactions with owners, recorded directly in equity						
Distributions to owners						
Final dividend 2011 (Rs. 3.50 per ordinary share)	-	-	-	-	(3,269,385)	(3,269,385)
Interim dividend 2012 (Rs. 2.25 per ordinary share)	-	-	-	-	(2,101,748)	(2,101,748)
Total transactions with owners	-	-	-	-	(5,371,133)	(5,371,133)
Balance as at December 31, 2012	9,341,100	228,350	6,380	712,205	2,342,794	12,630,829

The annexed notes 1 to 36 form an integral part of these financial statements.

CHAIRMAN   CHIEF EXECUTIVE   DIRECTOR

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.4.1 Staff retirement gratuity

Defined benefit plan is provided for permanent employees of the Company. The plan is typically structured as a separate legal entity managed by trustees. Calculations in this respect require assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, the expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.4.2 Property, plant and equipment

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

2.4.3 Provision for inventory obsolescence and doubtful receivables

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

2.4.4 Taxation

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

2.4.5 Contingencies

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

2.4.6 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Employees' retirement benefits

The Company has the following plans for its employees:

Provident Fund – Defined Contribution Scheme

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

Gratuity Fund – Defined Benefit Scheme

The Company operates a defined benefit funded gratuity for all employees who complete qualifying period of service and age. The Fund is administered by trustees. Contribution to the fund is made on the basis of actuarial valuation using Projected Unit Credit Method, related details of which are given in note 11. Amount determined by the actuary as charge for the year is included in profit and loss account for the year.

Actuarial gains/losses exceeding 10 percent of the higher of projected benefit obligation and fair value of plan assets are amortized over average future service of the employees.

Compensated absences

The Company also provides for compensated absences for all employees in accordance with the rules of the Company. Charge during the year is included in profit and loss account for the year.

3.2 Taxation

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

Current

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

Deferred

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

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

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

3.3 Fixed assets

3.3.1 Property, plant and equipment and capital work in progress

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

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

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

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

Depreciation is calculated on the straight line method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 13. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

3.3.2 Intangibles

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

3.4 Borrowing costs

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

3.5 Investments

3.5.1 Associates and jointly controlled entities (equity accounted investees)

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

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

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

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

3.5.3 Loans and receivables

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

3.5.4 Investment available for sale

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

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

3.5.5 Acquisition under common control

Acquisition under common control of the shareholder are initially recognized using a fair value accounting basis applying the requirements of IFRS 3 "Business Combinations". All the acquisitions under common control are accounted for from the year in which the acquisition takes place without restating the Company's (acquirer) comparative financial statements.

3.6 Goodwill

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

3.7 Impairment

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

3.8 Stores and spares

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

3.9 Stock in trade

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

Cost is determined as follows:

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

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

3.10 Financial instruments

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

Trade and other payables

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

Trade debts and other receivables

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

Off-setting of financial assets and liabilities

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

3.11 Cash and cash equivalents

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

3.12 Mark-up bearing borrowings

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

3.13 Provisions

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

3.14 Dividends

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

3.15 Foreign currency

Foreign currency transactions

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

Investment in foreign joint venture

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

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

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

3.16 Revenue recognition

Sale

Sales revenue is recognized when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns, commission and trade discounts.

Scrap sales and miscellaneous receipts

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

3.17 Basis of allocation of common expenses

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

3.18 Earnings per share

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

3.19 Finance income and finance costs

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

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

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

3.20 New accounting standards and IFRIC interpretations

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

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. Following this change, unrecognized actuarial gains / losses will be recorded immediately in other comprehensive income.

-Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

-Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

-Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments have no impact on financial statements of the Company.

-IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

		2012	2011
		(Rupees'000)	
4.	**SHARE CAPITAL**		
4.1	**ISSUED, SUBSCRIBED AND PAID UP CAPITAL**		
	934,110,003 Ordinary shares of Rs. 10 each issued for cash	9,341,100	9,341,100

4.2 The holding company and Fauji Foundation held 475,232,996 and 161,501,286 (2011: 475,232,996 and 161,501,286) ordinary shares respectively of the Company at the year end.

		2012	2011
4.3	**AUTHORIZED SHARE CAPITAL**		
	1,100,000,000 Ordinary shares of Rs. 10 each	11,000,000	11,000,000

5. CAPITAL RESERVE

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

		Note	2012	2011
			(Rupees'000)	
6.	**LONG TERM LOAN AND DEFERRED GOVERNMENT ASSISTANCE - UNSECURED**			
	Government of Pakistan (GoP) loan	6.1	3,065,986	3,089,673
	Less: Current portion shown under current liabilities		2,008,682	648,201
			1,057,304	2,441,472
	Deferred Government assistance	6.1	175,016	799,530
			1,232,320	3,241,002

6.1 This represents balance amount of GoP loan amounting in total of Rs. 9,723,015 thousand which is repayable in equal installments in 15 years with 1 year grace at zero percent effective November 30, 2001. As per restructuring agreement, final installment will be paid in June 2017. This loan in accordance with International Accounting Standard-39 "Financial Instruments: Recognition and Measurement" is stated at its fair value and the difference is recognised as Deferred Government assistance. Deferred Government assistance is being amortized to fully offset the financial charge on the loan at an imputed rate of 7%. The amount amortized and offset against financial charges during the year amounted to Rs. 624,514 thousand.

Under the terms of restructuring with GoP, the excess cash, which may arise based on a pre-defined mechanism, shall be shared by the Company with GoP through prepayment of GoP loan. In this regard the Company appointed M/s A. F. Ferguson & Co, Chartered Accountants, as third party auditor selected by Ministry of Finance (MoF) as per the provisions of GoP letter dated May 10, 2002 for the examination of the Company's financial record relating to the Company's determination of the amount of excess cash and prepayment to GoP. The draft report of consultant is under consideration and has been submitted to MoF for review and concurrence. Notwithstanding, a provisional amount of Rs. 1,360,481 thousand has been transferred to current portion as prepayment of GoP loan on the basis of excess cash determination mechanism as per GoP letter. The Company is in the process of finalizing the determination with GoP.

Loans from Export Credit Agencies (ECA), which were assumed by GoP, were initially secured by a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions, which guarantee is secured by first equitable mortgage created on all immovable properties of the Company and by way of hypothecation of movable properties of the Company. The charge ranks pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested the Company to obtain an indemnity from GoP confirming that it is GoP's absolute obligation to indemnify and keep related banks and financial institutions harmless from any possible exposure on this account. Accordingly, on December 16, 2002, GoP had conveyed its agreement by assuming ECA loan liabilities by absolving related banks and financial institutions of their liabilities for which they earlier issued guarantees to ECA. As a result, two ECA have released the guarantee of HBL and have returned the original documents.

Since two ECA have yet to release HBL from its responsibility as guarantor therefore, the above referred guarantee and related charge on assets of the Company have not been vacated up to December 31, 2012. The Company is making efforts in getting this guarantee released.

		Note	2012 (Rupees'000)	2011 (Rupees'000)
7.	**DEFERRED LIABILITIES**			
	Compensated leave absences	7.1	227,369	233,267
	Deferred tax	7.2	3,445,270	3,406,875
			3,672,639	3,640,142

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

7.2 The balance of deferred tax is in respect of the following major taxable temporary differences:

	Note	2012	2011
Accelerated depreciation		3,523,482	3,489,403
Provision against doubtful receivables		(18,734)	(18,734)
Share of (loss) / profit of associates		(1,536)	2,034
Provision for inventory obsolescence		(57,942)	(65,828)
	7.2.1	3,445,270	3,406,875

7.2.1 The movement of deferred tax during the current year is as follows:

	2012	2011
Opening balance	3,406,875	3,672,289
Charge / (reversal) for the year	38,395	(265,414)
Closing balance	3,445,270	3,406,875

7.2.2 At December 31, 2012, a deferred tax liability of Rs. 285,125 thousand (2011: Rs. 260,423 thousand) on temporary difference of Rs. 814,644 thousand (2011: Rs. 744,066 thousand) related to investment in the joint venture was not recognized as the Company controls the timing of reversal of temporary differences.

		Note	2012	2011
			(Rupees'000)	
8.	**TRADE AND OTHER PAYABLES**			
	Creditors		7,282,685	6,959,609
	Accrued liabilities		1,683,135	1,450,216
	Advances from customers		736,766	726,978
	Workers' (Profit) Participation Fund - unsecured	8.1	16,824	17,241
	Payable to Gratuity Fund - unsecured	11	51,301	26,747
	Workers' Welfare Fund		770,975	650,744
	Unclaimed dividend		108,541	394,507
	Withholding tax payable		3,095	2,786
	Sales tax payable - net		229,428	280,242
	Other payables		293,261	162,330
			11,176,011	10,671,400
8.1	**Workers' (Profit) Participation Fund (WPPF)**			
	Balance at beginning of the year		17,241	69,866
	Interest on funds utilised in the Company's business		921	1,139
	Allocation for the year	28	346,824	867,241
			364,986	938,246
	Payment to WPPF during the year		(348,162)	(921,005)
			16,824	17,241
9.	**MARK – UP ACCRUED**			
	On short term borrowings		280,606	204,389
			280,606	204,389
10.	**SHORT TERM BORROWINGS – SECURED**			
	From banking companies and financial institutions	10.1	9,216,660	7,476,144
			9,216,660	7,476,144

10.1 The Company has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs. 23,205,000 thousand (2011: Rs. 19,735,000 thousand). These facilities carry mark-up ranging from 9.43% to 10.67% per annum (2011: 12.04% to 14.23% per annum) and are secured by hypothecation of charge on current and fixed assets of the Company. The purchase prices are repayable on various dates by the Company.

		2012	2011
		(Rupees'000)	
11.	**GRATUITY FUND**		
a)	**Reconciliation of amounts recognised in the balance sheet is as follow:**		
	Present value of defined benefit obligation	373,646	287,097
	Fair value of plan assets	(249,770)	(196,583)
	Deficit	123,876	90,514
	Net actuarial losses not recognised	(72,575)	(63,767)
		51,301	26,747
b)	**The movement in the present value of defined benefit obligation is as follows:**		
	Present value of defined benefit obligation at beginning of the year	287,097	227,243
	Current service cost	43,762	36,200
	Interest cost	34,870	31,097
	Benefits paid during the year	(16,276)	(10,242)
	Actuarial loss	24,193	2,799
	Present value of defined benefit obligation at end of the year	373,646	287,097
c)	**The movement in fair value of plan assets is as follows:**		
	Fair value of plan assets at beginning of the year	196,583	143,278
	Expected return on plan assets	23,556	20,355
	Contributions	34,417	46,282
	Benefits paid during the year	(16,276)	(10,242)
	Actuarial gain / (loss)	11,490	(3,090)
	Fair value of plan assets at end of the year	249,770	196,583
d)	**Plan assets comprise of:**		
	Investment in listed securities	43,446	60,121
	Investment in bonds	27,308	27,798
	Cash and bank balances	179,016	108,664
		249,770	196,583
e)	Actual return on plan assets	35,046	17,265
	Contributions expected to be paid to the plan during the next financial year	59,171	52,408

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

		2012	2011
g)	**Movement in liability recognised in the balance sheet:**		
	Opening liability	26,747	20,757
	Expense for the year	58,971	52,272
	Payments to the fund during the year	(34,417)	(46,282)
	Closing liability	51,301	26,747

		2012	2011
		(Rupees'000)	
h)	**Amount recognised in the profit and loss account is as follows:**		
	Current service cost	43,762	36,200
	Interest cost	34,870	31,097
	Expected return on plan assets	(23,556)	(20,355)
	Actuarial losses recognised	3,895	5,330
		58,971	52,272
i)	**The expense is recognised in the following line items in the profit and loss account:**		
	Cost of sales	45,404	41,657
	Administrative expenses	13,567	10,615
		58,971	52,272

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

	2012	2011	2010	2009	2008
			(Rupees '000)		
Present value of defined benefit obligation	373,646	287,097	227,224	155,823	129,187
Fair value of plan assets	(249,770)	(196,583)	(143,278)	(106,539)	(66,509)
Deficit	123,876	90,514	83,946	49,284	62,678
Experience adjustments					
- on obligations - loss	24,193	2,799	36,132	3,609	18,357
- on plan assets - gain / (loss)	11,490	(3,090)	4,352	14,789	(11,628)

k) **Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2012 are as follows:**

	2012	2011
Discount rate	11.50%	12.50%
Expected rate of salary growth	11.50%	12.50%
Expected rate of return on plan assets	11.50%	12.50%

		2012	2011
		(Rupees '000)	
12.	**CONTINGENCIES AND COMMITMENTS**		
	Contingencies		
i)	Indemnity bonds and undertakings given to custom authorities for machinery imported by the Company for installation at plant site.	119,650	119,650
ii)	Guarantees issued by banks on behalf of the Company.	132,820	141,489
iii)	Company's share of contingent liabilities of Fauji Cement Company Limited as at September 30, 2012.	20,989	37,656
iv)	Company's share of contingent liabilities of Foundation Wind Energy - I Limited as at September 30, 2012.	4,375	7,595
v)	Company's share of contingent liabilities of Foundation Wind Energy - II (Pvt.) Limited as at September 30, 2012.	4,130	7,595
	Commitments		
i)	Capital expenditure - contracted.	648,675	606,689
ii)	Letters of credit for purchase of raw material and stores and spares.	1,063,207	1,099,260
iii)	Commitments with Fauji Foundation for investment in wind projects.	3,983,365	4,764,715
iv)	Company's share of commitment for equity investment in Askari Bank Limited as at December 31, 2012.	5,000,000	-
v)	Company's share of commitments of Pakistan Maroc Phosphore S.A, Morocco as at September 30, 2012.	13,464	8,784

13. FIXED ASSETS

	PROPERTY, PLANT AND EQUIPMENT (Rupees '000)												INTANGIBLES (Rupees '000)
	Leasehold land	Freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress (note 13.1)	Total	
COST													
Balance as at January 01, 2011	213,350	120,000	1,570,456	22,221,293	6,378	225,077	53,621	135,758	1,974	174,597	748,509	25,471,013	98,747
Additions during the year	-	-	84,464	-	978	46,107	7,384	13,393	112	-	927,999	1,080,437	9,458
Disposals	-	-	(90)	(2,000)	-	(23,140)	(34)	(331)	-	-	-	(25,595)	-
Transfers	-	-	-	120,885	-	-	-	-	-	-	(120,885)	-	-
Balance as at December 31, 2011	213,350	120,000	1,654,830	22,340,178	7,356	248,044	60,971	148,820	2,086	174,597	1,555,623	26,525,855	108,205
Balance as at January 01, 2012	213,350	120,000	1,654,830	22,340,178	7,356	248,044	60,971	148,820	2,086	174,597	1,555,623	26,525,855	108,205
Additions during the year	-	-	-	-	788	59,355	13,219	7,495	-	152,129	618,090	851,076	-
Disposals	-	-	-	-	-	(36,891)	-	(452)	-	-	-	(37,343)	-
Adjustments	-	-	-	(269,872)	-	33	341	155	-	-	(509)	(269,852)	-
Transfers	-	-	440,560	1,409,535	-	-	-	-	-	-	(1,850,095)	-	-
Balance as at December 31, 2012	213,350	120,000	2,095,390	23,479,841	8,144	270,541	74,531	156,018	2,086	326,726	323,109	27,069,736	108,205
DEPRECIATION													
Balance as at January 01, 2011	73,835	-	483,360	10,028,205	1,409	89,253	13,835	48,180	1,449	98,787	-	10,838,313	24,687
Additions during the year	4,639	-	47,713	1,105,882	728	59,175	8,374	41,470	227	27,772	-	1,295,980	37,119
Disposals	-	-	(12)	(1,150)	-	(17,299)	(17)	(129)	-	-	-	(18,607)	-
Balance as at December 31, 2011	78,474	-	531,061	11,132,937	2,137	131,129	22,192	89,521	1,676	126,559	-	12,115,686	61,806
Balance as at January 01, 2012	78,474	-	531,061	11,132,937	2,137	131,129	22,192	89,521	1,676	126,559	-	12,115,686	61,806
Additions during the year	4,639	-	51,897	1,149,004	743	57,350	9,050	41,773	258	19,836	-	1,334,550	37,119
Disposals	-	-	-	-	-	(29,883)	-	(312)	-	-	-	(30,195)	-
Adjustments	-	-	-	(173,168)	-	-	-	21	-	-	-	(173,147)	-
Balance as at December 31, 2012	83,113	-	582,958	12,108,773	2,880	158,596	31,242	131,003	1,934	146,395	-	13,246,894	98,925
Written down value - 2011	134,876	120,000	1,123,769	11,207,241	5,219	116,915	38,779	59,299	410	48,038	1,555,623	14,410,169	46,399
Written down value - 2012	130,237	120,000	1,512,432	11,371,068	5,264	111,945	43,289	25,015	152	180,331	323,109	13,822,842	9,280
Rate of depreciation	2 to 4%	-	3%	5%	10%	20 to 33%	15%	33 to 50%	30%	17 to 50%	-		33%

		Note	2012	2011
			(Rupees'000)	
13.1	**Capital work in progress**			
	This is made up as follows:			
	Plant and machinery including advances to suppliers		139,486	1,324,743
	Civil works		183,623	230,880
			323,109	1,555,623
13.2	**Depreciation and amortization charge has been allocated as follows:**			
	Cost of sales	24	1,349,806	1,312,000
	Administrative expenses	26	21,863	21,099
			1,371,669	1,333,099

			Cost	Book value	Sale proceeds
				(Rupees '000)	
13.3	**Details of property, plant and equipment sold:**				
	Vehicles				
	As per Company policy to executives				
	Brig Inam Karim (Retd)		1,810	402	1,043
	Col Zafar Sultan (Retd)		1,354	113	135
	Lt Col Muhammad Khalid Beg (Retd)		1,443	361	141
	Lt Col Muhammad Asif (Retd)		1,403	117	138
	Mr. Muhammad Azmat		1,427	247	247
	Mr. Iftikhar Ahmed		1,404	63	211
	Mr. Jaffar Abbas Abidi		1,087	98	159
	Mr. Qasim Afzal		1,407	488	310
	Mr. Hassan Mumtaz Sheikh		1,426	438	310
	Mr. Mahboob Ahmed		1,015	138	230
	Mr. Irfan Ahmed		1,407	339	310
	Mr. Atif Zia		1,407	424	310
	Mr. Muhammad Yasin		1,407	278	310
	Mr. Muhammad Khalid Jalil		1,407	488	310
	Mr. Nadeem Ahmed Siddiqui		1,286	227	190
	Mr. Abdullah Khan		1,407	446	310
	Mr. Ghulam Qadir Zafar		1,407	185	310
	Mr. Saqib Feroz		1,407	185	310
	Mr. Usman Ahmed		1,416	561	751
	Insurance claim		1,602	1,362	1,500
	Aggregate of items of property, plant and equipment with individual book value below Rs. 50,000		9,414	188	3,222
		2012	**37,343**	**7,148**	**10,757**
		2011	25,595	6,988	6,046

Notes to the Financial Statements

for the year ended December 31, 2012

		Note	2012	2011
			(Rupees'000)	
14.	LONG TERM INVESTMENTS			
	Investment in joint venture – equity method			
	Pakistan Maroc Phosphore S.A, Morocco	14.1		
	Balance brought forward		2,155,216	1,900,560
	Share of profit		42,446	255,054
	Gain / (loss) during the year on translation of net assets	14.1.2	28,132	(398)
	Closing balance		2,225,794	2,155,216
	Investment in associates – equity method			
	Fauji Cement Company Limited (FCCL)	14.2		
	Balance brought forward		342,866	334,695
	Share of profit		8,722	8,171
	Closing balance		351,588	342,866
	Foundation Wind Energy - I Limited	14.3		
	Opening balance		119,409	-
	Advance paid during the year against issue of shares		233,664	131,160
	Share of loss		(23,683)	(11,751)
	Closing balance		329,390	119,409
	Foundation Wind Energy - II (Pvt) Limited	14.3		
	Opening balance		93,346	-
	Advance paid during the year against issue of shares		547,686	104,125
	Share of loss		(20,742)	(10,779)
	Closing balance		620,290	93,346
	Investment – available for sale – unquoted			
	Arabian Sea Country Club Limited (ASCCL)	14.4		
	300,000 ordinary shares of Rs. 10 each		3,000	3,000
	Less: Impairment in value of investment		3,000	3,000
			-	-
			3,527,062	2,710,837

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

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

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

	September 2012	September 2011	September 2012	September 2011	September 2012	September 2011	September 2012	September 2011
	PMP (Joint venture)		FCCL (Associate)		Foundation Wind Energy-I (Associate)		Foundation Wind Energy-II (Associate)	
	(Rupees in '000)							
Non - current assets	12,646,128	13,819,766	26,223,163	27,808,729	392,051	14,406	407,093	31,946
Non - current liabilities	(5,293,068)	(7,335,342)	(11,007,862)	(12,246,697)	-	-	-	(100,090)
Current assets	13,813,705	14,646,899	4,525,607	4,575,385	159,556	131,837	482,671	136,844
Current liabilities	(12,263,599)	(12,510,466)	(5,435,643)	(6,648,437)	(8,771)	(6,184)	(11,234)	(7,345)
Revenue for the period	20,881,282	24,215,172	10,757,610	4,119,151	11,390	1,040	20,804	1,579
Expenses for the period	(21,555,366)	(23,949,274)	(9,741,587)	(3,840,804)	(57,490)	(34,617)	(56,532)	(32,376)
(Loss) / profit for the period	(674,084)	265,898	1,016,023	278,347	(46,100)	(33,577)	(35,728)	(30,797)

Financial statements for the period ended September 30, 2012 have been used for accounting under equity method as these were the latest approved financial statements. Further, results of operations of last quarter of 2011 have also been considered for equity accounting.

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

14.2 Fair value of investment in FCCL as at December 31, 2012 was Rs. 122,625 thousand (2011: Rs. 61,875 thousand). The management, however believes that the recoverable amount of this investment is higher than the fair value as at December 31, 2012. The Company holds 1.36% interest in FCCL which is less than 20%, however it is concluded that the Company has significant influence due to its representation on the Board of Directors of FCCL.

The recoverable amount of the investment in Fauji Cement Company Limited was tested for impairment based on value in use, in accordance with IAS - 36. The value in use calculations are based on cash flow projections based on the budget approved by management for 2012. These are then extrapolated for a period of 5 years using a steady long term expected growth of 3% p.a. and terminal value determined based on long term earning multiples. The cash flows are discounted using a post-tax discount rate of 13.07% p.a. Based on this calculation, no impairment has been accounted for.

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

14.3 Foundation Wind Energy-I Limited and Foundation Wind Energy-II (Private) Limited are in a process of setting up 49.5 MW wind power plant each. Total estimated cost for each plant is US$ 130 million. Pursuant to Share Holders Agreement dated 08 March 2011 the Company will eventually hold 35% shareholding each in Foundation Wind Energy-I and Foundation Wind Energy-II (Pvt) Limited. The projects are expected to commence commercial production in 2013.

14.4 As per audited accounts of ASCCL for the year ended June 30, 2012, the break-up value of an ordinary share was Rs. 8.72 (June 30, 2011: Rs. 7.90).

		Note	2012	2011
			(Rupees'000)	
15.	**STORES AND SPARES**			
	Stores		337,421	337,626
	Spares		1,839,611	1,756,192
	Provision for obsolescence		(165,550)	(188,080)
			2,011,482	1,905,738
16.	**STOCK IN TRADE**			
	Packing materials		78,638	74,877
	Raw materials		1,873,857	358,638
	Raw materials in transit		916,197	2,595,304
	Work in process		13,615	40,956
	Finished goods		1,993,998	337,218
			4,876,305	3,406,993
17.	**TRADE DEBTS**			
	Secured - considered good		2,469,075	646,516
			2,469,075	646,516
18.	**ADVANCES**			
	Advances to:			
	- Executives, unsecured considered good		1,421	13,098
	- Other employees, unsecured considered good		65,290	17,046
	Advances to suppliers and contractors			
	- Considered good		381,352	409,906
	- Considered doubtful		45	45
			381,397	409,951
	Provision for doubtful advances		(45)	(45)
			381,352	409,906
			448,063	440,050
19.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Security deposits		2,222	1,892
	Prepayments		21,419	11,028
			23,641	12,920
20.	**OTHER RECEIVABLES**			
	Due from the holding company - unsecured, considered good	20.1	2,969,967	2,124,704
	Other receivables			
	- Considered good		24,841	55,528
	- Considered doubtful		53,482	53,482
			78,323	109,010
	Provision for doubtful receivables		(53,482)	(53,482)
			24,841	55,528
			2,994,808	2,180,232

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

		Note	2012	2011
			(Rupees'000)	
21.	**SHORT TERM INVESTMENTS**			
	Loans and receivables			
	Term deposits with banks and financial institutions		1,550,000	1,250,000
	Investments at fair value through profit or loss – held for trading			
	Money market funds		-	7,588,237
			1,550,000	8,838,237
22.	**CASH AND BANK BALANCES**			
	Deposit accounts - in local currency	22.1	8,652,271	4,978,875
	- in foreign currency		1,888	1,607
			8,654,159	4,980,482
	Current accounts		134,278	403,406
	Cash in hand		530	475
			8,788,967	5,384,363

22.1 This includes Rs. 210,560 thousand (2011: Rs. 126,541 thousand) held under lien by the commercial banks against credit facilities.

		Note	2012	2011
			(Rupees'000)	
23.	**TURNOVER**			
	Gross Sales		55,835,454	63,795,916
	Less: Sales tax		7,701,485	7,893,824
	Trade discounts		205,000	11,347
	Commission to the holding company	23.1	17,805	21,911
			7,924,290	7,927,082
			47,911,164	55,868,834

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

		Note	2012	2011
			(Rupees'000)	
24.	**COST OF SALES**			
	Raw materials consumed		30,949,410	28,950,284
	Packing materials consumed		513,720	597,044
	Fuel and power		2,273,585	2,048,095
	Chemicals and supplies consumed		159,522	193,920
	Salaries, wages and benefits	24.1	1,504,639	1,512,249
	Rent, rates and taxes		16,672	26,781
	Insurance		101,265	103,747
	Travel and conveyance		158,969	138,848
	Repairs and maintenance		944,606	852,555
	Communication, establishment and other expenses		107,287	117,826
	Depreciation	13.2	1,349,806	1,312,000
	Opening stock - work in process		40,956	29,493
	Closing stock - work in process		(13,615)	(40,956)
	Cost of goods manufactured		38,106,822	35,841,886
	Opening stock - finished goods		337,218	248,596
	Closing stock - finished goods		(1,993,998)	(337,218)
	Cost of sales		36,450,042	35,753,264

24.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 45,404 thousand, Rs. 31,249 thousand and Rs. 4,354 thousand respectively. (2011: Rs. 41,657 thousand, Rs. 28,822 thousand and Rs. 49,289 thousand respectively).

		Note	2012	2011
			(Rupees'000)	
25.	**SELLING AND DISTRIBUTION EXPENSES**			
	Product transportation		2,063,609	1,908,204
	Expenses charged by the holding company	25.1		
	Salaries, wages and benefits		408,843	435,032
	Rent, rates and taxes		45,971	31,957
	Technical services		3,565	3,927
	Travel and conveyance		59,611	41,901
	Sales promotion and advertising		20,091	19,191
	Communication, establishment and other expenses		44,900	73,013
	Warehousing expenses		13,165	29,529
	Depreciation		5,970	11,041
			602,116	645,591
			2,665,725	2,553,795

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

		Note	2012	2011
			(Rupees'000)	
26.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	26.1	499,667	501,232
	Travel and conveyance		164,167	128,400
	Utilities		6,271	5,061
	Printing and stationery		7,650	8,804
	Repairs and maintenance		12,933	11,589
	Communication, advertisement and other expenses		31,520	42,005
	Rent, rates and taxes		10,419	8,489
	Listing fee		1,133	738
	Donations	26.2	95,213	6,499
	Legal and professional		86,981	12,293
	Depreciation	13.2	21,863	21,099
	Miscellaneous		46,196	31,081
			984,013	777,290

26.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 13,567 thousand, Rs. 10,825 thousand and Rs. 2,928 thousand respectively (2011: Rs. 10,615 thousand, Rs. 9,040 thousand and Rs. 18,020 thousand respectively).

26.2 During the year, the Company has paid donation of Rs. 95,213 thousand out of which following donation was paid to the project of Fauji Foundation (FF). Last year the Company has not paid donation to any organization in which any director or his spouse has interest.

Particulars of project	Address	(Rupees '000)	
Shaukat Omer Memorial Hospital	Shah Faisal Colony, Karachi	50,000	-

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

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

		2012	2011
		(Rupees'000)	
27.	**FINANCE COST**		
	Mark-up on long term financing		
	- Banking companies and financial institutions	-	3,541
	Mark-up on long term murabaha	-	328
	Mark-up on short term borrowings	1,369,457	811,478
	Interest on Workers' (Profit) Participation Fund	921	1,139
	Bank charges	15,878	13,266
	Exchange loss	435,215	258,118
		1,821,471	1,087,870

		Note	2012	2011
			(Rupees'000)	
28.	OTHER OPERATING EXPENSES			
	Workers' (Profit) Participation Fund	8.1	346,824	867,241
	Workers' Welfare Fund		120,231	307,630
	Property, plant and equipment written off		96,704	942
	Auditor's remuneration			
	Fees - annual audit		1,000	1,000
	Fees - half yearly review		100	100
	Other certification & services		195	117
	Out of pocket expenses		185	50
			1,480	1,267
			565,239	1,177,080
29.	OTHER INCOME			
	Income from financial assets			
	Profit on bank balances and term deposits		357,959	436,361
	Dividend on investment in money market funds		495,280	913,955
	Unrealised gain on investment at fair value through profit or loss		-	16,015
	(Loss) / gain on sale of investments		(4,997)	33,049
			848,242	1,399,380
	Income from assets other than financial assets			
	Scrap sales and miscellaneous receipts		186,159	10,334
	Gain on sale of property, plant and equipment		3,609	-
			1,038,010	1,409,714
30.	TAXATION			
	Current		2,092,884	5,668,210
	Deferred		38,395	(265,414)
			2,131,279	5,402,796

		2012		2011	
		(Rupees '000)	%	(Rupees '000)	%
30.1	**Reconciliation of tax charge for the year:**				
	Profit before tax	6,469,427		16,169,944	
	Tax on profit	2,264,299	35.00	5,659,480	35.00
	Tax effect of lower rate on certain income / expenses	8,926	0.14	(6,342)	(0.04)
	Tax effect of exempt income / permanent differences	(141,946)	(2.19)	(250,342)	(1.55)
		2,131,279	32.95	5,402,796	33.41

30.2 The Company has revised its income tax returns relating to tax years 2007, 2008 and 2009 under the provisions of the Income Tax Ordinance 2001.

		2012	2011
31.	**EARNINGS PER SHARE – BASIC AND DILUTED**		
	Profit after taxation (Rupees '000)	4,338,148	10,767,148
	Weighted average number of ordinary shares in issue during the year (thousands)	934,110	934,110
	Earnings per share - basic and diluted (Rupees)	4.64	11.53

There is no dilutive effect on the basic earnings per share of the Company for the year 2012.

		Note	2012	2011
			(Rupees'000)	
32.	**CASH GENERATED FROM OPERATIONS**			
	Profit before taxation		6,469,427	16,169,944
	Adjustments for:			
	Provision for gratuity		58,971	52,272
	Exchange losses		435,215	258,118
	Provision for compensated absences		7,282	67,309
	Provision for Workers' (Profit) Participation Fund	8.1	346,824	867,241
	Provision for Workers' Welfare Fund		120,231	307,630
	Property, plant and equipment written off		96,704	-
	Depreciation	13.2	1,371,669	1,333,099
	Finance cost		1,386,256	829,752
	Gain on investments including dividend received		(490,283)	(963,019)
	Share of profits of joint venture and associates		(6,743)	(240,695)
	Profit on bank balances and term deposits		(357,959)	(436,361)
	(Gain) / loss on sale of property, plant and equipment		(3,609)	942
	Operating profit before working capital changes		9,433,985	18,246,232
	Changes in working capital			
	Stores and spares		(105,744)	(110,444)
	Stock in trade		(1,469,312)	(2,136,326)
	Trade debts		(1,822,559)	183,469
	Advances		(8,013)	(218,744)
	Trade deposits and short term prepayments		(10,721)	1,062
	Other receivables		(814,576)	(2,081,223)
	Trade and other payables		210,995	1,470,762
			(4,019,930)	(2,891,444)
			5,414,055	15,354,788

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2012		2011	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	10,267	665,252	6,997	528,875
Bonus	2,278	437,371	3,494	486,515
Contributory Provident Fund	550	29,689	314	26,331
Others	7,403	149,311	4,443	178,177
	20,498	1,281,623	15,248	1,219,898
No. of person (s)	1	259	1	230

The above are provided medical facilities. Chief Executive and certain executives are also provided with the Company's maintained vehicles and household equipment and other benefits in accordance with the Company's policy. Gratuity is payable to the chief executive in accordance with the terms of employment while contribution for executives in respect of gratuity is on the basis of actuarial valuation. Leave encashment was paid to executives amounting to Rs.12,390 thousand (2011: Rs. 2,739 thousand) on separation in accordance with the Company's policy.

In addition, the other directors of the Company are paid meeting fee aggregating Rs. 5,330 thousand (2011: Rs. 550 thousand). No remuneration was paid to directors of the Company; (2011: Nil). The number of directors of the Company was 12 (2011: 12).

34. FINANCIAL INSTRUMENTS

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

- Credit risk
- Liquidity risk
- Market risk

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

34.1 Credit risk

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

	2012	2011
	(Rupees'000)	
Trade debts	2,469,075	646,516
Deposits	78,534	78,204
Interest accrued	39,317	51,041
Other receivables - net of provision	2,994,808	2,180,232
Short term investments	1,550,000	8,838,237
Bank balances	8,788,437	5,383,888
	15,920,171	17,178,118

Geographically there is no concentration of credit risk.

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

The Company's most significant amount receivable is from holding company which amounts to Rs. 2,969,967 thousand (2011: Rs. 2,124,704 thousands) and which is included in total carrying amount of other receivables as at reporting date. At the balance sheet date this receivable is not overdue or impaired.

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

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

Impairment losses

As at the reporting date trade receivables of Rs. Nil (2011: Rs Nil) were over-due. Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts.

The Company has recorded an impairment loss of Rs. 3,000 thousand (2011 : Rs. 3,000 thousand) in respect of its investment in available-for-sale investments.

34.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The management uses different methods which assists it in monitoring cash flow requirements and optimizing the return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains lines of credit as mentioned in note 10 to the financial statements.

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

2012	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long term loan	3,241,002	3,241,002	2,008,682	-	648,201	584,119	-
Trade and other payables	10,206,722	10,206,722	10,206,722	-	-	-	-
Short term borrowings including mark-up	9,497,266	9,497,266	9,497,266	-	-	-	-
	22,944,990	22,944,990	21,712,670	-	648,201	584,119	-

2011	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long term loan	3,889,203	3,889,203	648,201	-	648,201	1,944,600	648,201
Trade and other payables	9,661,394	9,661,394	9,661,394	-	-	-	-
Short term borrowings including mark-up	7,680,533	7,680,533	7,680,533	-	-	-	-
	21,231,130	21,231,130	17,990,128	-	648,201	1,944,600	648,201

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

34.2.1 The contractual cash flow relating to short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates have been disclosed in note 10 to these financial statements.

34.3 Market risk

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

34.3.1 Currency risk

Exposure to Currency Risk

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

	2012		2011	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balances	1,888	19	1,607	18
Creditors	(5,501,963)	(56,546)	(6,053,541)	(67,299)
Net exposure	(5,500,075)	(56,527)	(6,051,934)	(67,281)

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate (Bid-Offer average)	
	2012	2011	2012	2011
US Dollars	93.68	86.37	97.30	89.95

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs. 550,007 thousand (2011 : Rs. 605,193 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

34.3.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from short term borrowings from banks and short term deposits with banks. At the balance sheet date the interest rate risk profile of the Company's interest bearing financial instruments is:

	Carrying Amount	
	2012	2011
	(Rupees'000)	
Fixed rate instruments		
Financial assets	1,550,000	1,250,000
Financial liabilities	3,595,000	6,395,000
Variable rate instruments		
Financial assets	8,654,159	4,980,482
Financial liabilities	5,621,660	1,081,144

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees'000)	
December 31, 2012		
Cash flow sensitivity-Variable rate instruments	16,886	16,886
	16,886	16,886
December 31, 2011		
Cash flow sensitivity-Variable rate instruments	1,052	1,052
	1,052	1,052

Market price risk

For investments at fair value through profit or loss, a 1 % increase / (decrease) in market price at reporting date would have increased / (decreased) profit for the year by Rs. nil (2011: Rs. 75,882 thousand).

34.4 Fair values

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

		December 31, 2012		December 31, 2011	
	Note	Carrying amount	Fair value	Carrying amount	Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Trade debts	17	2,469,075	2,469,075	646,516	646,516
Deposits		78,534	78,534	78,204	78,204
Interest accrued		39,317	39,317	51,041	51,041
Other receivables - net of provision	20	2,994,808	2,994,808	2,180,232	2,180,232
Short term investments - loans and receivables	21	1,550,000	1,550,000	1,250,000	1,250,000
Cash and bank balances	22	8,788,967	8,788,967	5,384,363	5,384,363
		15,920,701	15,920,701	9,590,356	9,590,356
Assets carried at fair value					
Short term investments - Investments at fair value through profit or loss	21	-	-	7,588,237	7,588,237
Liabilities carried at amortized cost					
Long term loan	6	3,241,002	3,241,002	3,889,203	3,889,203
Trade and other payables	8	10,206,722	10,206,722	9,661,394	9,661,394
Short term borrowings including mark-up	10	9,497,266	9,497,266	7,680,533	7,680,533
		22,944,990	22,944,990	21,231,130	21,231,130

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the Government yield curve at the reporting date plus an adequate credit spread. The interest rate used to determine fair value of GoP loan is 13.07% (2011:15%). Since deferred Government assistance is included with long term loan, there is no difference in the carrying amount of the loan and its fair value.

Fair value hierarchy

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

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

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

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

	Level 1	Level 2 Rupees '000	Level 3
December 31, 2012			
Assets carried at fair value			
Short term investments - investment in mutual funds	-	-	-
December 31, 2011			
Assets carried at fair value			
Short term investments - investment in mutual funds	7,588,237	-	-

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

34.5 Determination of fair values

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

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

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

Investment in associates

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

Non-derivative financial assets

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

Non-derivative financial liabilities

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

34.6 Capital management

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

35. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Fauji Fertilizer Company Limited (FFC) with 50.88% holding (2011: 50.88%). FFC is sponsored by Fauji Foundation (FF) which holds 17.29% shares (2011: 17.29%) in the Company. Therefore all subsidiaries and associated undertakings of FF and FFC are related parties of the Company. The Company has related parties which comprise of entities under common directorship, directors, key management personnel and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. The carrying value of investment in associates and joint venture are disclosed in note 14 to the financial statements.

	2012	2011
	(Rupees'000)	
Transactions with the holding company		
Services and material acquired	605,544	654,820
Services and material provided	1,239	1,104
Collections	52,718,382	59,617,887
Commission charged to the Company	17,805	21,911
Dividend paid - net	2,459,331	4,277,097
Balance receivable at the year end - unsecured	2,969,967	2,124,704
Transactions with associated undertakings due to common directorship		
Goods sold	-	2,840
Rent charged to the Company	1,166	1,111
Dividend paid - net	835,769	1,453,512
Repayment of principal portion of long term finance	-	19,338
Financial charges	-	328
Investment	781,350	235,285
Transactions with joint venture company		
Purchase of raw materials	25,588,487	28,064,300
Expenses incurred on behalf of joint venture company	35,040	34,373
Balance payable at the year end - secured (included in note 8)	5,758,636	5,947,347
Balance receivable at the year end - unsecured (included in note 20)	22,733	25,262
Other related parties		
Contribution to Provident Fund	42,074	37,862
Payment to Gratuity Fund	34,417	46,282
Payment to Workers' (Profit) Participation Fund	348,162	921,005
Balance payable at the year end - unsecured	787,799	667,985
Payable to Gratuity Fund	51,301	26,747
Remuneration of key management personnel	25,828	15,798

		2012	2011
		(Tonnes)	
36.	**GENERAL**		
36.1	**Production capacity**		
	Design capacity		
	Urea	551,100	551,100
	DAP	650,000	650,000
	Actual production		
	Urea	281,068	433,053
	DAP	648,038	662,304

The shortfall in production was mainly due to non-availability of gas during the year.

36.2 The Board of Directors in their meeting held on January 11, 2013 have proposed a final dividend of Rs. 2.25 per ordinary share.

36.3 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on January 11, 2013.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR**

Pattern of Shareholding

as at December 31, 2012

Pattern of shareholding		Number of shares
1.	**Associated Companies, Undertaking and Related Parties**	
	Fauji Fertilizer Company Ltd	475,232,996
	Fauji Foundation	161,501,286
	No other associated undertaking held any investment in FFBL except as mentioned above	
2.	**NIT and ICP**	
	National Bank of Pakistan Trustee Deptt	1,055,261
	IDBP (ICP UNIT)	500
	CDC - Trustee NIT-Equity Market Opportunity Fund	730,689
3.	**Directors, CEO and their spouse and minor children**	
	Lt Gen Muhammad Mustafa Khan, HI(M), (Retd)	1
	Lt Gen Muhammad Zaki, HI, HI(M), (Retd)	10,001
	Lt Gen Naeem Khalid Lodhi, HI(M), (Retd)	1
	Mr Qaiser Javed	1
	Dr Nadeem Inayat	1
	Maj Gen Ghualm Haider, HI(M), (Retd)	1
	Brig Parvez Sarwar Khan, SI(M), (Retd)	1
	Brig Dr Gulfam Alam, SI(M), (Retd)	1
	Brig Muhammad Saeed Khan, (Retd)	1
	Mr Naved A. Khan	500
	Mr Nasier A. Sheikh	3,500
	Dr Rashid Bajwa	500
4.	**Company Executives**	362,898
5.	**Public Sector Companies and Corporations**	NIL
6.	**Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds**	58,294,988
7.	**Shareholders holding ten percent or more voting interest**	
	Fauji Fertilizer Company Ltd	475,232,996
	Fauji Foundation	161,501,286

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

Name	Designation	Date	Previous Holding	Purchase	Rate Rs/share	Holding as at 31 Dec 2012
Lt Gen Muhammad Zaki, HI, HI(M), (Retd)	CE & MD	10-Jan-12	1	10,000	42.90	10,001
Mr Nasier A. Sheikh	Director	27-Mar-12	500	1,000	39.89	3,500
		28-Mar-12	1,500	1,000	40.29	
		28-Mar-12	2,500	500	40.04	
		28-Mar-12	3,000	500	40.64	
Brig Shaukat Yaqub Malik, SI(M), (Retd)	Company Secretary	19-Mar-12	0	10,000	47.10	20,000
		28-Mar-12	10,000	10,000	39.95	

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholdings			Number of Shares Held
	From		To	
1,073	1	-	100	59,280
4,197	101	-	500	1,864,662
3,010	501	-	1,000	2,495,623
4,573	1,001	-	5,000	12,842,042
1,466	5,001	-	10,000	11,547,217
619	10,001	-	15,000	7,966,307
356	15,001	-	20,000	6,491,896
254	20,001	-	25,000	5,935,520
153	25,001	-	30,000	4,352,084
103	30,001	-	35,000	3,435,086
125	35,001	-	40,000	4,837,271
63	40,001	-	45,000	2,680,114
124	45,001	-	50,000	6,073,963
46	50,001	-	55,000	2,435,624
54	55,001	-	60,000	3,173,994
34	60,001	-	65,000	2,157,729
35	65,001	-	70,000	2,399,442
31	70,001	-	75,000	2,283,216
29	75,001	-	80,000	2,270,282
16	80,001	-	85,000	1,328,126
15	85,001	-	90,000	1,334,057
13	90,001	-	95,000	1,199,020
48	95,001	-	100,000	4,772,407
14	100,001	-	105,000	1,440,018
14	105,001	-	110,000	1,518,688
11	110,001	-	115,000	1,243,674
9	115,001	-	120,000	1,064,437
11	120,001	-	125,000	1,362,227
12	125,001	-	130,000	1,528,669
5	130,001	-	135,000	673,758
4	135,001	-	140,000	556,500
9	140,001	-	145,000	1,285,870
14	145,001	-	150,000	2,087,648
5	150,001	-	155,000	767,540
4	155,001	-	160,000	639,500
6	160,001	-	165,000	973,330
3	165,001	-	170,000	498,000
5	170,001	-	175,000	872,500
4	175,001	-	180,000	718,309
2	180,001	-	185,000	367,700
2	185,001	-	190,000	376,000
3	190,001	-	195,000	576,652
14	195,001	-	200,000	2,794,518
3	200,001	-	205,000	610,673
1	205,001	-	210,000	210,000
2	210,001	-	215,000	425,450
4	215,001	-	220,000	874,500
2	220,001	-	225,000	446,000
3	225,001	-	230,000	687,660
2	235,001	-	240,000	476,038

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholdings			Number of Shares Held
	From		To	
2	240,001	-	245,000	489,209
3	245,001	-	250,000	744,640
3	250,001	-	255,000	758,176
3	255,001	-	260,000	767,361
3	260,001	-	265,000	795,000
1	265,001	-	270,000	268,000
2	270,001	-	275,000	548,000
1	275,001	-	280,000	276,500
2	280,001	-	285,000	566,570
1	285,001	-	290,000	289,500
5	295,001	-	300,000	1,495,360
1	300,001	-	305,000	301,080
1	305,001	-	310,000	310,000
1	310,001	-	315,000	312,500
1	315,001	-	320,000	315,100
2	320,001	-	325,000	649,000
1	325,001	-	330,000	330,000
3	330,001	-	335,000	1,002,120
6	335,001	-	340,000	2,026,255
1	340,001	-	345,000	341,000
5	345,001	-	350,000	1,750,000
2	350,001	-	355,000	705,377
1	355,001	-	360,000	356,559
1	370,001	-	375,000	375,000
1	380,001	-	385,000	385,000
1	385,001	-	390,000	390,000
8	395,001	-	400,000	3,189,420
1	400,001	-	405,000	405,000
2	405,001	-	410,000	815,873
1	410,001	-	415,000	410,200
1	415,001	-	420,000	419,000
1	425,001	-	430,000	429,000
2	445,001	-	450,000	898,500
1	455,001	-	460,000	460,000
1	465,001	-	470,000	465,419
1	475,001	-	480,000	479,800
1	485,001	-	490,000	489,500
3	495,001	-	500,000	1,500,000
1	500,001	-	505,000	503,000
1	520,001	-	525,000	525,000
2	545,001	-	550,000	1,095,510
2	595,001	-	600,000	1,200,000
1	610,001	-	615,000	613,500
1	640,001	-	645,000	645,000
1	665,001	-	670,000	670,000
1	685,001	-	690,000	687,810
2	695,001	-	700,000	1,400,000
1	720,001	-	725,000	720,615
1	725,001	-	730,000	727,000
1	730,001	-	735,000	730,689

Pattern of Shareholding
as at December 31, 2012

Number of Shareholders	Shareholdings From		To	Number of Shares Held
1	755,001	-	760,000	756,994
1	795,001	-	800,000	800,000
1	815,001	-	820,000	816,000
1	825,001	-	830,000	829,400
1	830,001	-	835,000	830,100
1	840,001	-	845,000	841,000
1	870,001	-	875,000	875,000
1	910,001	-	915,000	913,685
2	995,001	-	1,000,000	2,000,000
1	1,020,001	-	1,025,000	1,022,500
1	1,030,001	-	1,035,000	1,033,435
1	1,055,001	-	1,060,000	1,060,000
1	1,070,001	-	1,075,000	1,074,919
1	1,095,001	-	1,100,000	1,100,000
1	1,115,001	-	1,120,000	1,116,500
1	1,140,001	-	1,145,000	1,142,174
1	1,155,001	-	1,160,000	1,156,500
1	1,165,001	-	1,170,000	1,170,000
1	1,180,001	-	1,185,000	1,184,000
1	1,185,001	-	1,190,000	1,190,000
2	1,195,001	-	1,200,000	2,398,275
1	1,210,001	-	1,215,000	1,210,635
1	1,395,001	-	1,400,000	1,400,000
2	1,495,001	-	1,500,000	3,000,000
1	1,500,001	-	1,505,000	1,500,500
1	1,655,001	-	1,660,000	1,657,640
1	1,745,001	-	1,750,000	1,750,000
1	1,765,001	-	1,770,000	1,769,474
1	1,920,001	-	1,925,000	1,922,396
1	1,935,001	-	1,940,000	1,936,906
1	2,070,001	-	2,075,000	2,073,500
1	2,140,001	-	2,145,000	2,141,450
1	2,260,001	-	2,265,000	2,260,053
1	2,565,001	-	2,570,000	2,567,369
1	2,645,001	-	2,650,000	2,650,000
1	2,795,001	-	2,800,000	2,798,173
1	2,910,001	-	2,915,000	2,912,000
1	3,375,001	-	3,380,000	3,378,527
1	3,595,001	-	3,600,000	3,599,249
1	3,830,001	-	3,835,000	3,835,000
1	5,305,001	-	5,310,000	5,305,080
1	7,240,001	-	7,245,000	7,242,078
1	7,280,001	-	7,285,000	7,283,487
1	7,455,001	-	7,460,000	7,455,500
1	11,435,001	-	11,440,000	11,436,764
1	12,880,001	-	12,885,000	12,882,706
1	23,055,001	-	23,060,000	23,058,785
1	161,500,001	-	161,505,000	161,501,286
1	475,230,001	-	475,235,000	475,232,996
16,749				934,110,000

Category wise Shareholding

as at December 31, 2012

Sr No	Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
01	Charitable Trusts	25	171,036,137	18.31
02	Cooperative Societies	2	13,304	0.00
03	Financial Institutions	25	34,405,196	3.68
04	Individuals	16,364	141,785,620	15.18
05	Insurance Companies	11	9,869,269	1.06
06	Others	56	45,392,717	4.86
07	Joint Stock Companies	164	494,992,155	52.99
08	Modarabas	8	770,500	0.08
09	Mutual Fund	39	12,952,417	1.39
10	Investment Companies	9	297,606	0.03
11	Foreigners	46	22,595,079	2.42
	Total:	**16,749**	**934,110,000**	**100.00**

Financial Calendar

The Company follows the period of January 01 to December 31 as the financial year.

Financial results will be announced as per the following tentative schedule:

Annual General Meeting	March 20, 2013
First Quarter ending March 31, 2013	Third week of April 2013
Second Quarter ending June 30, 2013	Last week of July 2013
Third Quarter ending September 30, 2013	Last week of October 2013
Year ending December 31, 2013	Last week of January 2014

Form of Proxy
19th Annual General Meeting

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

I/We ______________________________ of ______________
______________________________ being a member(s) of
Fauji Fertilizer Bin Qasim Limited hold ______________ ordinary shares hereby appoint
Mr. / Mrs./Miss ______________________________of ______________
or failing him/her ______________________________ of ______________ as my/our proxy in my / our absence to attend and vote for me / us on my /our behalf at the 19th Annual General Meeting of the Company to be held on 20 March 2013 and / or any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this ______________
______________ day of ______________ 2013 in the presence
of ______________

Folio	CDC Account No.	
	Participant ID	Sub Account Number

Signature on
Five Rupees
Revenue Stamp

This signature should agree with the
specimen registered with the Company

Important

1. This Proxy Form, duly completed and signed, must be deposited at the registered office of the Company, 73-Harley Street, Rawalpindi not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxies and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC account holders/Corporate Entities

In addition to the above, following requirements have to be met:

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

ii. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.

iii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted to the Company along with proxy form.

AFFIX
CORRECT
POSTAGE

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Abbreviations

CSR
Corporate Social Responsibility

DAP
Di-Ammonia Phosphate

EPS
Earnings per Share

EPA
Environmental Protection Agency

FFC
Fauji Fertilizer Company

GIDC
Gas Infrastructure Development Cess

GST
General Sales Tax

GOP
Government of Pakistan

HDF
Human Development Foundation

ICAP
Institute of Chartered Accountants of Pakistan

ICMAP
Institute of Cost and Management Accountants of Pakistan

KPI
Key Performance Indicator

NEQS
National Environment Quality Standards

PSE
Public Sector Enterprises

ROA
Return on Assets

ROE
Return on Equity

SMART
Self Monitoring and Reporting Tool

SEPA
Sindh Environmental Protection Agency

SBP
State Bank of Pakistan

SSGC
Sui Southern Gas Company

Annual Report of FFBL for the year 2012

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