Annual Report of Fauji Fertilizer Bin Qasim Limited
for the year ended 2014

TOP25

Building Long-term Value

FFBL
Fauji Fertilizer Bin Qasim Limited

Building Long-term Value

At FFBL, we form our strategies based on our wisdom and foresight. To us, our choices begin with the passion to lead - thriving on true grit and determination.

Our cover this year reflects our tenacity and willingness to build long-term value. On the blank canvas of life, we seek to embrace opportunities today that can help us remain competitive tomorrow - helping us create a way towards a sustainable future.

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Our History

1993	1996	2000	2003	2005	2006
Incorporation of the Company	Listed with Karachi, Lahore and Islamabad Stock Exchanges	Commencement of commercial production	Successful commissioning of Desulphurization Project Agreement with Office Cherifien des Phosphates' (OCP), Morocco for supply of raw material (P_2O_5)	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%	Achieved ISO Certification in QMS (9001:2000), EMS (14001:2004) and OHSAS (18001:1999)

2007

Successful completion of Ammonia BMR resulting in increased production of Ammonia by 23% from 1,270 MT to 1,570 MT and Urea by 15% from 1,670 MT to 1,920 MT per day

2008

DAP Revamp resulting in increased production by 51% from 1,472 MT to 2,232 MT per day
Start of PMP's commercial production and shipment to FFBL in April 2008 and May 2008 respectively

Investment in Fauji Cement Company Limited

2010

Investment in Wind Power Projects

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

2011

Rewarding year for FFBL, exhibiting highest standards of performance, surpassing all previous records
PMP achieved a landmark by producing 382 thousand tonnes of P_2O_5, surpassing the name plate capacity of 375 thousand tonnes in any year

2013

Incorporation of Fauji Meat Limited and Fauji Foods Limited

Investment in Askari Bank Limited

Highest ever DAP production of 744,436 MT

2014

Incorporation of FFBL Power Company Limited

Received two awards in Corporate Social Responsibility

Bronze Medal in ERP from SAP, Germany

Highest ever DAP production of 72,390 MT in a month

Vision & Mission Statement

VISION

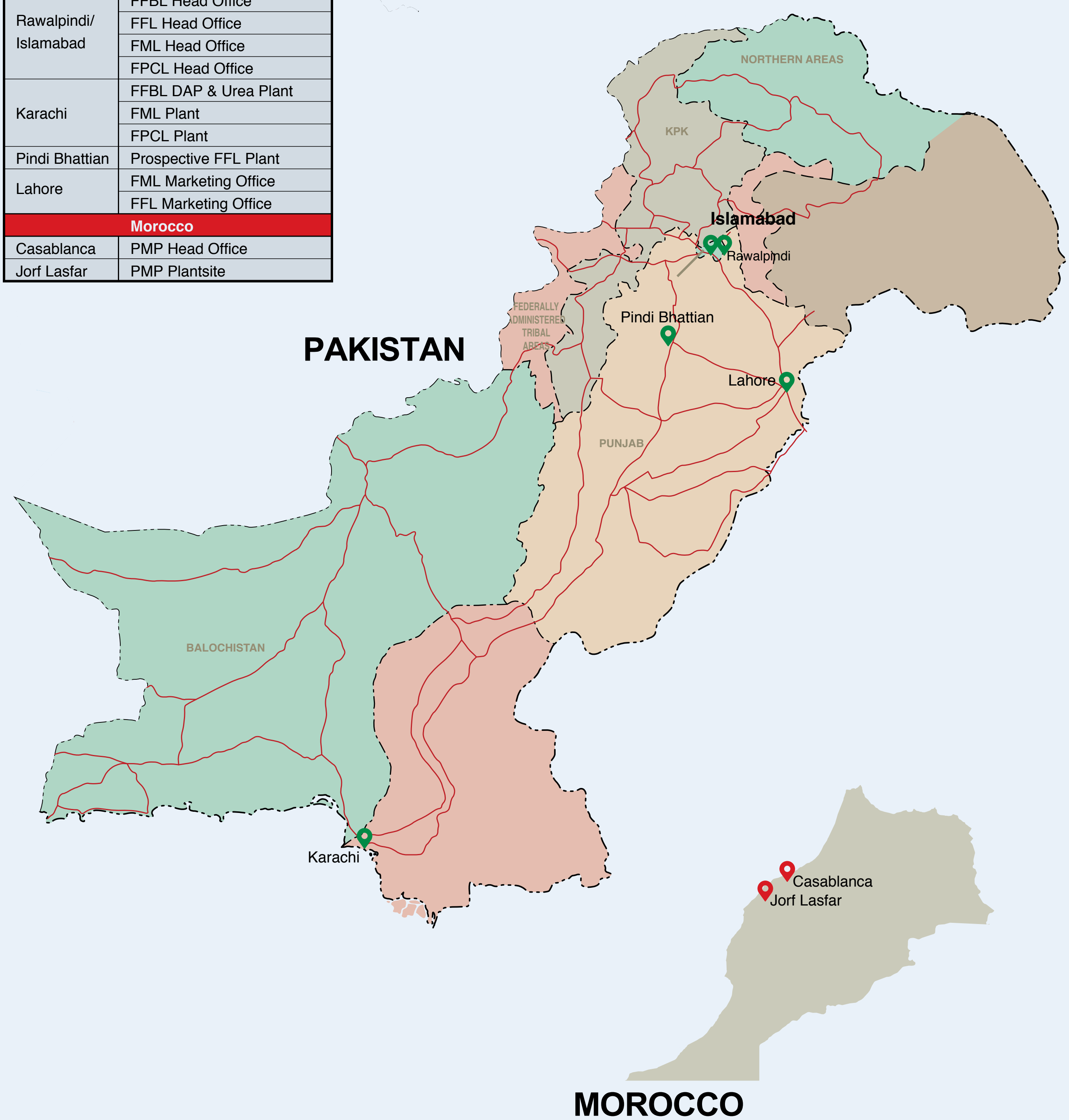
To be a foremost organization focused on quality and growth, leading to enhanced stakeholders' value

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 products and providing safe and conducive working environment for the employees

Geographical Presence

LOCATION MAP	
Pakistan	
Rawalpindi/ Islamabad	FFBL Head Office
	FFL Head Office
	FML Head Office
	FPCL Head Office
Karachi	FFBL DAP & Urea Plant
	FML Plant
	FPCL Plant
Pindi Bhattian	Prospective FFL Plant
Lahore	FML Marketing Office
	FFL Marketing Office
Morocco	
Casablanca	PMP Head Office
Jorf Lasfar	PMP Plantsite



Corporate Objectives

Objective 1

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

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

Priority: High

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

Opportunities / threats:

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

Objective 2

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

Strategy: Identify, evaluate, analyze and undertake diversification within and outside the fertilizer industry.

Priority: High

Status: FFBL has identified quite a few areas of potential business segments and has undertaken strategic investments in the areas of food, financial, power sector and wind energy projects.

Opportunities / threats:

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

Current trend of growth could be at risk considering shortage of gas, water and power. Diversification in hither to unexplored / under-explored fields and new emerging markets could help minimize this risk and ensure organizational growth.

Objective 3

Adopt cost saving measures and eliminating redundancies.

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

Priority: High

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

Opportunities / threats

A continuous monitoring and evolving process, plans for 2014 achieved.

Objective 4

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

Strategy: Health, safety and environment is held sacrosanct, at all our plants conforming to the International Standards of environment protection and effluent disposal.

Priority: High

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

Opportunities / threats

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

Corporate Strategy

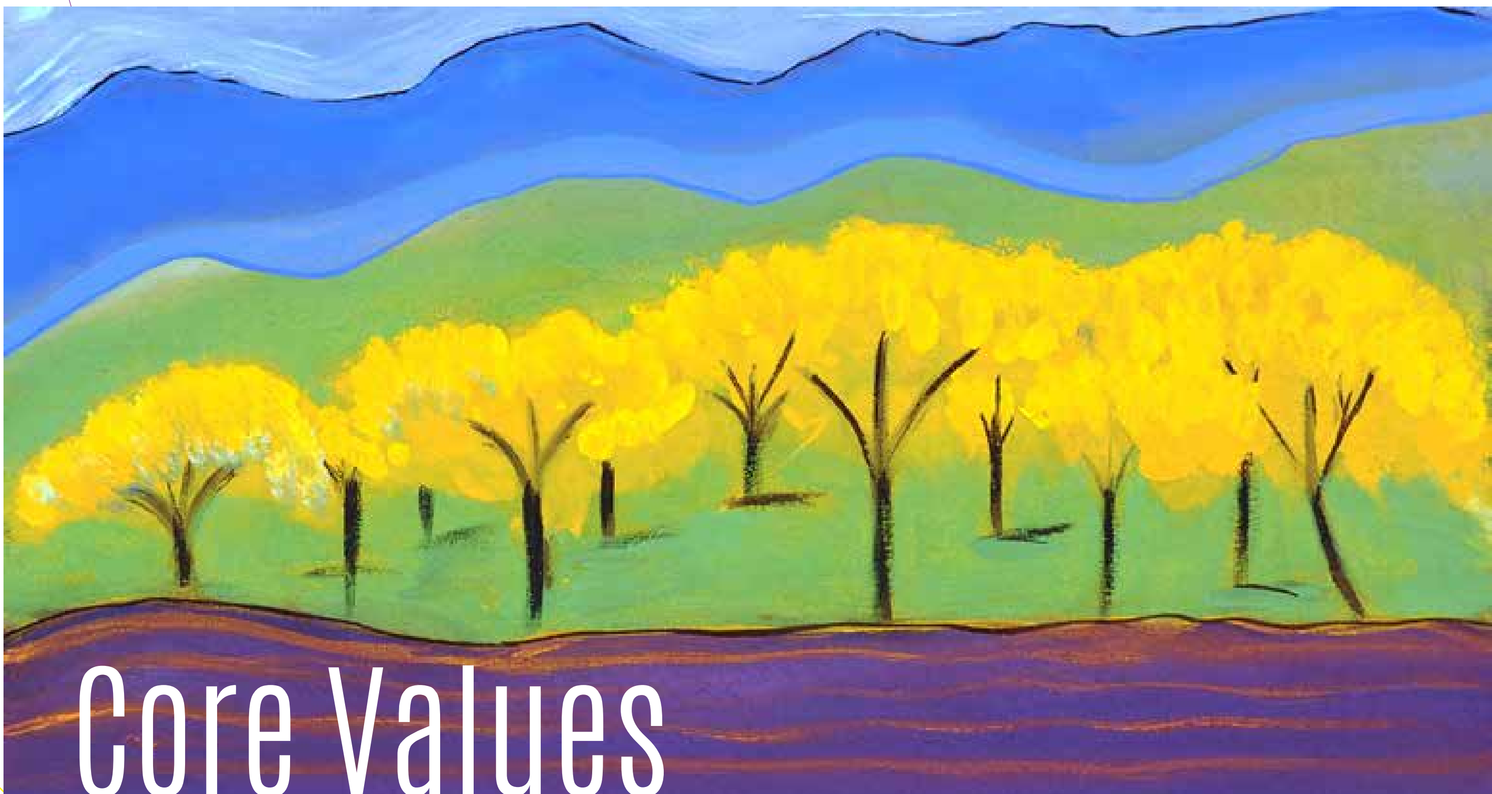
The dynamic corporate strategy of FFBL is to enhance customer satisfaction and earn their respect by continuously providing the highest quality of product by adding value in the long run. We are committed to create value for stakeholders through performance and growth by appropriately utilizing combination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

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

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

Strategic Goals

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



Core Values

1. Professional Integrity
2. Winning Working Environment
3. Accountable for Actions
4. Innovations and Creativity
5. Corporate Social Responsibility
6. Focus on Results

Code of Conduct

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

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

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

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

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

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

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

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

Unauthorized Use of Corporate Assets
Every employee is obligated to protect the assets of the Company.

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

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

Company Information

Board of Directors

Lt Gen Khalid Nawaz Khan, HI(M), Sitara-i-Esar, (Retired)
Chairman
Lt Gen Muhammad Haroon Aslam, HI(M), SBt, (Retired)
Chief Executive & Managing Director
Lt Gen Naeem Khalid Lodhi, HI(M), (Retired)
Mr Qaiser Javed
Dr Nadeem Inavat
Maj Gen Syed Jamal Shahid, HI(M),(Retired)
Maj Gen Nasir Mahmood, HI(M), (Retired)
Maj Gen Muhammad Farooq Iqbal, HI(M), (Retired)
Brig Muhammad Saecd Khan, (Retired)
Mr Naved A. Khan
Mr Nasier A. Sheikh
Dr Rashid Bajwa

Company Secretary

Brig Muhammad Azam, SI(M), (Retired)

Chief Financial Officer

Syed Aamir Ahsan

Registered Office

73-Harley Street, Rawalpindi.
Tel : +92 51 9272196-97
Fax : +92 51 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 : +92 21 34724500-29
Fax : +92 21 34750704
Email : information@ffbl.com

Shares Registrar

M/s Corplink (Pvt) Limited
Wings Arcade, 1-K,
Commercial,
Model Town, Lahore.
Tel : +92 42 35839182
Fax : +92 42 35869037

Auditors

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

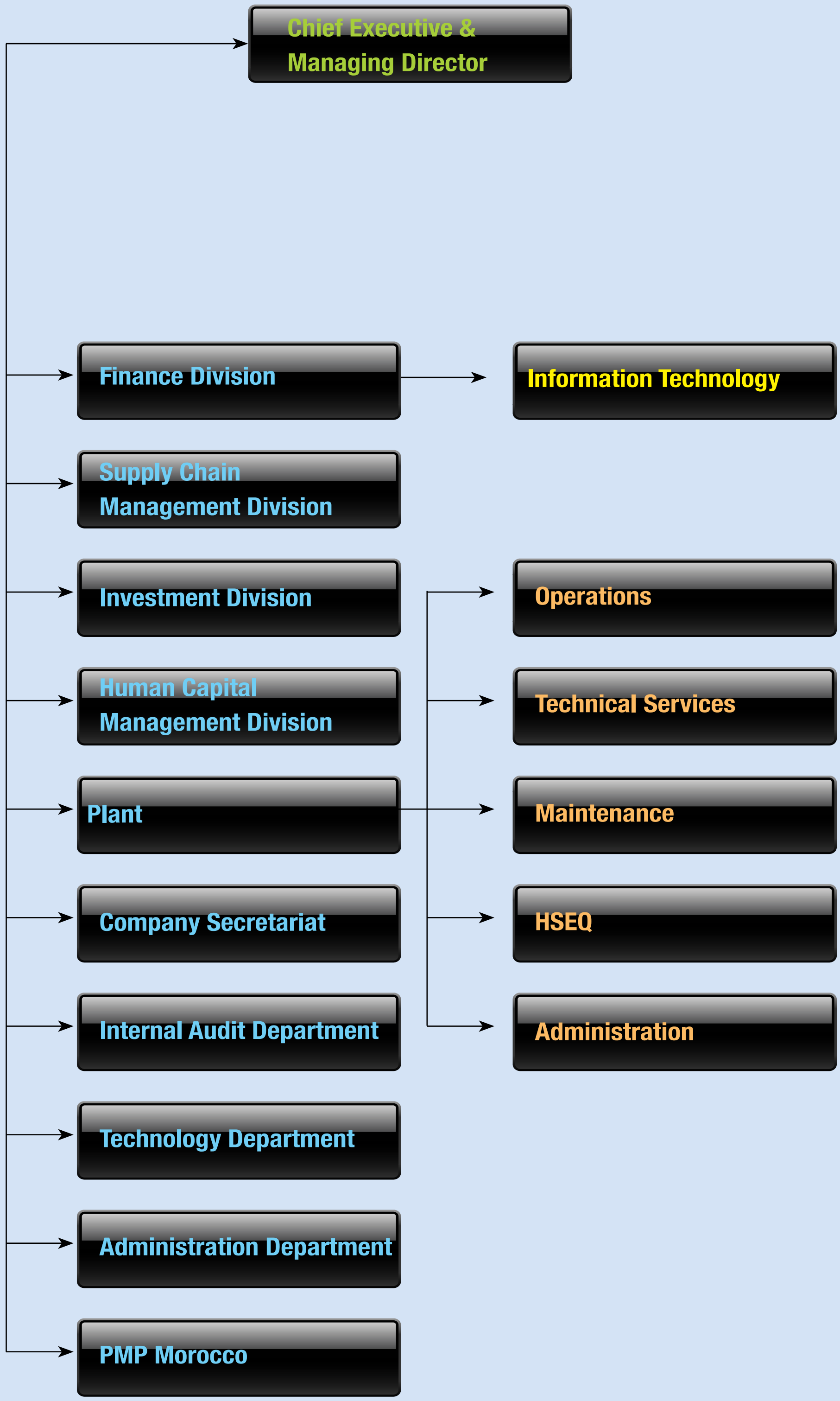
Legal Advisors

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 Technology
Supply Chain Management Division
Investment Division
Human Capital Management Division
Plant
Company Secretariat
Internal Audit Department
Technology Department
Administration Department
PMP Morocco
Operations
Technical Services
Maintenance
HSEQ
Administration

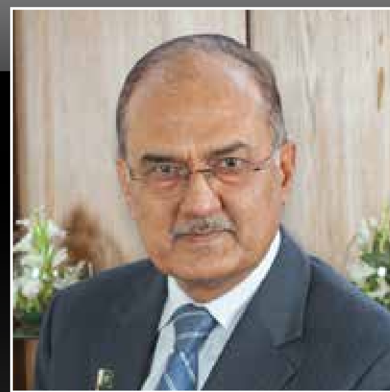
Profile of the Board

Lt Gen Khalid Nawaz Khan

HI(M), Sitara-i-Esar, (Retd), Chairman

Lt Gen Muhammad Haroon Aslam

HI(M), SBt (Retd), CE & MD



Lt Gen Naeem Khalid Lodhi

HI(M), (Retd), Director

Lt Gen Khalid Nawaz Khan, HI(M), Sitara-i-Esar, (Retired) was commissioned in the Pakistan Army on 20 April 1975 with the coveted Sword of Honour. The General Officer has a vast and varied experience in various capacities on Command, Staff and Instructional assignments which include command of an Infantry Division and a Corps deployed along the Line of Control, The General has also remained as Commandant of the prestigious Command and Staff College Quetta, in addition to having served on the faculties of School of Infantry, Command and Staff College; and National Defence University. He is a graduate of Armed Forces War College (National Defence University) and Command and General Staff College., Fort Leavenworth, USA. The General Officer holds Masters Degrees in War Studies, Art and Science of Warfare and General Studies.

In recognition of his meritorious services, he has been awarded Hilal-e-Imtiaz (Military). The General Officer was also conferred Upon the award of Sitara-i-Esar for his leadership role in the aftermath of the devastating 2005 Earthquake in Azad Kashmir. He is an avid golfer. He is on the Board of following entities:

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

Lt Gen Muhammad Haroon Aslam, HI(M), SBt, (Retired) is the Chief Executive and Managing Director of Fauji Fertilizer Bin Qasim Limited. The General Officer has 40 years meritorious military career to his credit. A highly decorated officer with rich and varied experience of command, staff and instructional assignments. He is a graduate of Command and Staff College Quetta, Defence Services Command and Staff College Bangladesh and National Defence College (War Wing), now National Defence University, Islamabad.

Holds master degrees in Defence Studies and Political Science. The officer has vast international exposure including foreign training, assignments and appointment in United Nations Mission. Commanded a Corps and served as Chief of Logistics of Pakistan Army. Is held in high esteem for his abilities in strategic and operational planning. Has been on the faculty of National Defence University. As CEO and Deputy Chairman of Earthquake Reconstruction and Rehabilitation Authority (ERRA), he was engaged in planning and management of high profile construction and rehabilitation projects.

In recognition of his outstanding services, was awarded Hilal-e-Imtiaz (Military) and Sitara-i-Basalat. He is on the Board of following entities:

- Foundation Wind Energy-I
- Foundation Wind Energy-II
- Pakistan Morroc Phosphore, S.A.Morroco
- Askari Bank Limited
- Fauji Foods Limited
- Fauji Meat Limited
- FFBL Power Company Limited

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

He is also on the Board of following entities:-

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

Mr Qaiser Javed

Director

Dr Nadeem Inayat

Director

Maj Gen Syed Jamal Shahid

HI(M), (Retd), Director

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

He is also on the Board of following entities:-

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

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 a 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:-

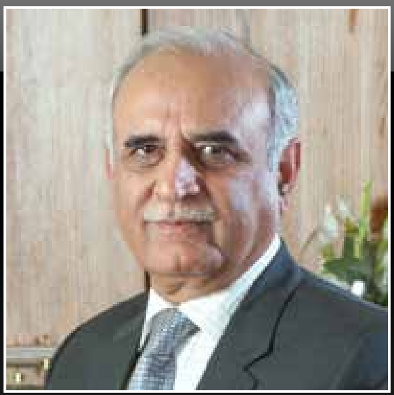
- Fauji Fertilizer Company Limited
- Mari Petroleum Company Limited
- Fauji Cement Company Limited
- Fauji Oil Terminal Company
- Dharki Power Holdings Limited
- Foundation Wind Energy – II
- Foundation Wind Energy – I
- Fauji Akbar Portia Marine Terminals
- Pakistan Maroc Phosphore, S.A., Morocco
-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

Maj Gen Syed Jamal Shahid HI(M), (Retd), Commissioned in the Corps of Electrical and Mechanical Engineers on 27 March 1981. Has vast experience of Command, Staff and Instructional appointments. A graduate of Command & Staff College Quetta and National Defence University Islamabad, also holds Bachelors Degree in Mechanical Engineering. Commanded an Electrical Mechanical Engineers Battalion, Composite Electrical Mechanical Engineers Workshop, College of Electrical Mechanical Engineering, APC Rebuild Factory and Logistics Area Multan.

Other major appointments are Directing Staff College of Electrical Mechanical Engineering, Command & Staff College and National Defence University. Overseas assignments include deployment in Kingdom of Saudi Arabia and Pakistan Army Technical Liaison Officer (United States of America). Retired as Director General Inspection & Technical Development at General Headquarters, Rawalpindi. Presently is member of Central Board of Directors of Fauji Foundation and following entities:

- Fauji Cement Company Limited
- Fauji Kabirwala Power Company Limited
- Foundation Wind Energy-I
- Askari Cement Limited
- FFBL Power Company Limited
- Fauji Foods Limited

Profile of the Board



Maj Gen Nasir Mahmood
HI(M), (Retd), Director

Maj Gen Muhammad Farooq Iqbal
HI(M), (Retd), Director

Brig Muhammad Saeed Khan
(Retd), Director

Maj Gen Nasir Mahmood, HI(M) (Retd) is Director Welfare (Education) of Fauji Foundation. He is a graduate of Pakistan Staff College, Joint Services Staff College and National Defence University Islamabad. Is a highly experienced ex Army pilot both on Fixed Wing as well as helicopters. Besides, he has held various Command and Staff appointments in the Army. His important assignments were Director General and Commander Army Aviation. He also served as Director General National Accountability (Punjab) and as Additional Secretary Ministry of Defence Production while on secondment to civil Government. He remained on the Board of Directors of Karachi Shipyard and Pakistan Aeronautical Complex from 2009 to 2011. In recognition of his meritorious services, he was awarded Sitara–e-Imtiaz (Military) and Hilal-e-Imtiaz (Military). Besides Fauji Fertilizer Bin Qasim Limited, he is also a member of Board of Directors of

- Fauji Foods Limited
- Fauji Oil Terminal and Distribution Company Limited

Maj Gen Muhammad Farooq Iqbal, HI(M) (Retd), is Director Banking, Industries and Trading Fauji Foundation. He also holds the Directorship in following associated companies:-

- Fauji Fertilizer Company Limited
- Fauji Cement Company Limited
- Foundation Power Company Daharki Limited
- Daharki Power Holding Limited
- Askari Cement Limited

He is graduate of Command & Staff College Quetta and National Defence University Islamabad, and Masters in International Defence and Strategic Studies from Quaid–i-Azam University Islamabad, Defence Management Organization Efficiency & Cost Effectiveness Course from Cranfield University School of Management UK (through NDC Islamabad). He also holds Financial Management Diploma from (LUMS) University of Management Sciences Lahore, Certified Quality Management from (NUST) National University of Science and Technology Islamabad. In addition Financial Management, Logistics and Material Management and Human Resources Management from (IBA) Institute of Business Administration Karachi. Has served on varied command and staff appointments. Has been awarded Hilal-e-Imitiaz (Military) in recognition of his services.

Brig Muhammad Saeed Khan, (Retd) was commissioned in Pakistan Army in October 1979. He is a graduate of Command and Staff College, Quetta. During his 31 years meritorious service in the Army, he served on varied command and staff assignments. He has diversified and vast experience in operational, administration, management, procurement and logistics at various level. He has also served in United Nations as Military Observer in Bosnia and Macedonia. At present he is serving as Director (Human Resource and Administration), Fauji Foundation Head Office, Rawalpindi.He is a member of Board of Directors of FFBL since June 2012.

He is also on the Board of following entities:-

- Fauji Cement Company Limited.
- Pakistan Maroc Phosphore, S.A, Morocco.

Naved A. Khan
Director

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

Nasier A. Sheikh
Director

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

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

Dr Rashid Bajwa
Director

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

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

Profile of the Board

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

Brig Muhammad Azam,
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 28 years with 21 years in fertilizer business in Pakistan. After returning from USA, he joined Engro Chemical Pakistan Limited and served with them in various capacities from 1993 to 2002.

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

He is on the Board of following entities:-

- Fauji Meat Limited
- Fauji Foods Limited
- FFBL Power Compnay Limited

Brig Muhammad Azam, SI(M), (Retd) was commissioned in the Army on 23 October 1981. The Brigadier had a distinguished career of 33 years in Pak Army. Has served on varied command, staff and instructional appointments. He is a graduate of Command & Staff College Quetta and National Defence University, Islamabad. Besides commanding a brigade, he has the privilege of commanding a multinational brigade in Democratic Republic of Cango under UN auspices. He has also been Director General of Airports Security Force. In recognition of his outstanding services, he has been awarded Sitara-e-Imtiaz (Military). He joined FFBL on October 03, 2014.

Notice of Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held on 26 March 2015 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 2014.
2. To receive, consider and adopt the Audited Accounts (Separate and Consolidated) of the Company together with the Directors' and the Auditors' reports for the year ended 31 December 2014.
3. To appoint Auditor(s) of the Company for the year 2015 and fix their remuneration.
4. To approve payment of final dividend for the year ended 31 December 2014 as recommended by the Board of Directors.
5. Any other business with the permission of the Chairman.

By Order of the Board
Fauji Fertilizer Bin Qasim Limited

Brig Muhammad Azam, SI(M), (Retd)
Company Secretary
Rawalpindi
26 February 2015

NOTES:-

1. Share transfer books of the Company will remain closed from 20 to 26 March 2015 (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 a 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 the meeting. A member cannot appoint more than one proxy. Attested copy of shareholder's CNIC must be attached with the proxy form.
3. The CDC / sub account holders are required to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan:-

(a) For attending the meeting

i. In case of individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his / her original national identity card or original passport at the time of attending the meeting.

ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.

(b) For appointing proxies

i. In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.

ii. The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

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

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

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

4. Members are requested to promptly notify any change in their addresses.
5. As per clear direction of SECP, CNIC number is mandatory for the issuance of dividend warrant. The shareholders, who have yet not submitted copy of their CNIC, are once again requested to submit the copy of their valid CNIC to our shares registrar.
6. In order to transfer the amount of dividend directly into bank accounts, shareholders are requested to provide detail of bank account (CDC account holders to their respective members and physical shareholders to Company or our Shares Registrar).

Consent for Video Conference Facility

Members can also avail video conference facility in Karachi and Lahore. In this regard please fill the following and submit to registered address of the Company 10 days before holding the general meeting.

If the Company receives consent from members, holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

I/We,____ of _______________________, being a member of Fauji Fertilizer Bin Qasim Limited, holder of ____________________ Ordinary Share(s) as per Register Folio / CDC Account No _________________ hereby opt for video conference facility at _________________.

____

Signature of member

Deduction of Withholding Tax on the Amount of Dividend

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

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

To enable the Company to make tax deduction on the amount of cash dividend at the rate of 10% instead of 15%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before 15 March 2015 otherwise tax on their cash dividend will be deducted at the rate of 15% instead of 10%.

For any query / problem / information, the investors may contact the Company and / or the Share Registrar at the following phone Numbers and email addresses:

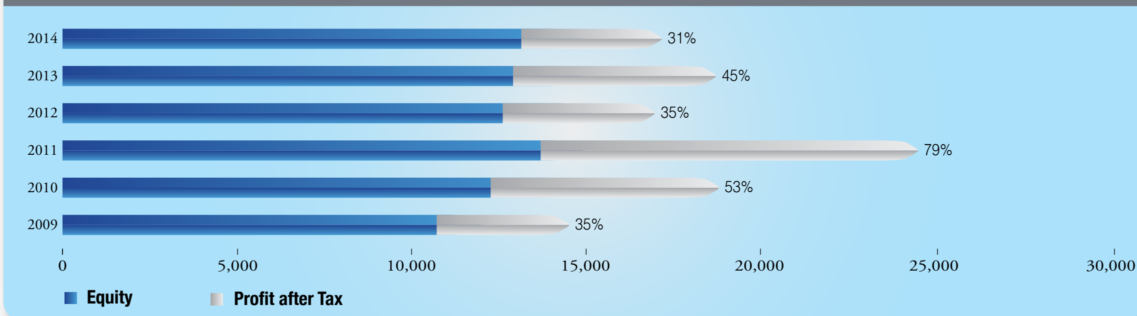
Fauji Fertilizer Bin Qasim Limited
73-Harley Street, Rawalpindi.
Phone No 051 9272196-7, E-mail: shares@ffbl.com

Shares Registrar
M/s Coprlink (Pvt) Ltd, Wings Arcade, 1-K, Commercial, Model Town, Lahore,
Phone No 042 35839182, 35916719, E-mail: corplink786@yahoo.com

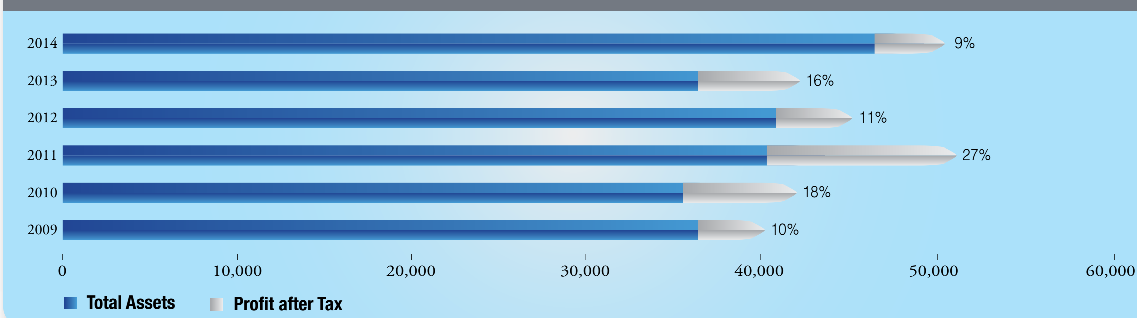
The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or our Share Registrar i.e. M/s Corplink (Pvt) Limited. The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

Financial Highlights

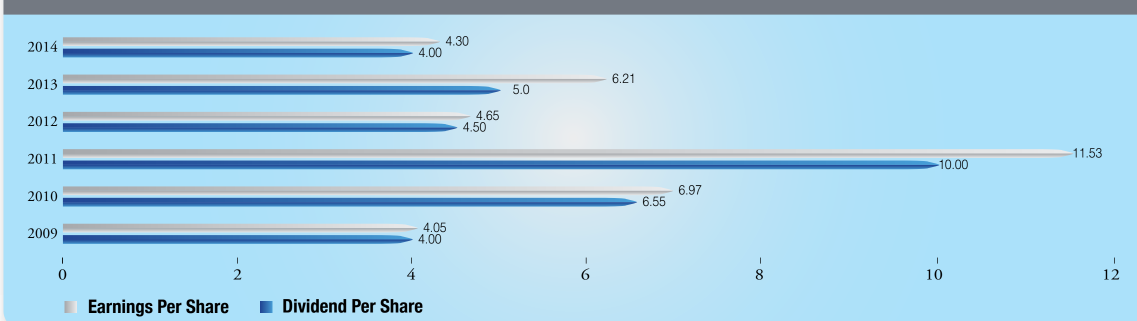
Return on Equity
(Percentage)



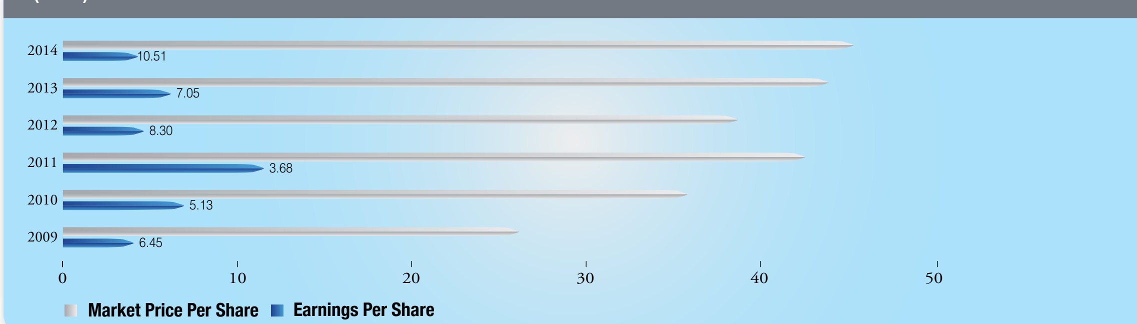
Return on Total Assets
(Percentage)



Earnings & Dividend Per Share
(Rupees)



Price Earnings Ratio
(Times)



Financial Highlights

FINANCIAL PERFORMANCE		2014	2013	2012	2011	2010	2009
Profitability Ratios							
Gross profit ratio	(%)	22.43	26.65	23.92	36.00	31.12	26.32
EBITDA margin to sales	(%)	17.14	21.01	20.18	33.28	27.59	23.10
Operating leverage ratio		0.25	0.28	3.65	2.14	2.59	0.03
Net profit to sales	(%)	8.12	10.65	9.06	19.27	15.06	10.30
Return on equity	(%)	30.73	45.15	34.57	78.96	53.35	35.50
Return on capital employed	(%)	17.41	43.18	31.48	63.80	40.46	24.53
Liquidity Ratios							
Current ratio	(Times)	1.10	0.73	1.00	1.17	1.19	1.10
Quick / Acid test ratio	(Times)	0.90	0.56	0.70	0.90	0.98	0.92
Cash and cash equivalent to current liabilities	(Times)	0.72	0.40	0.44	0.34	0.91	0.84
Cash flow from operations to sales	(%)	17.20	18.25	3.01	14.95	17.08	56.48
Activity / Turnover Ratios							
Inventory turnover	(Times)	28.55	13.30	8.80	15.29	23.86	7.77
Inventory turnover	(Days)	13	27	42	24	15	47
Debtors turnover	(Times)	32.21	26.74	11.67	31.03	58.87	54.97
Debtors turnover	(Days)	11	14	31	12	6	7
Creditors turnover	(Times)	6.00	6.83	5.12	6.53	8.58	7.20
Creditors turnover	(Days)	61	53	72	56	43	51
Total assets turnover	(Times)	1.07	1.50	1.18	1.39	1.22	1.01
Fixed assets turnover	(Times)	4.05	4.17	3.46	3.86	2.94	2.36
Operating cycle	(Days)	(37)	(12)	1	(20)	(22)	3
Investment / Market Ratios							
Earnings per share (pre-tax)	(Rs)	6.19	9.14	6.93	17.31	10.37	6.22
Earnings per share (after-tax)	(Rs)	4.30	6.21	4.65	11.53	6.97	4.05
Price earning ratio	(Times)	10.51	7.06	8.31	3.68	5.13	6.45
Dividend yield ratio	(%)	8.85	11.41	11.66	23.57	18.33	15.31
Dividend payout ratio	(%)	93.03	83.19	96.77	86.73	93.97	98.77
Dividend cover ratio	(%)	107.49	124.14	103.26	115.30	106.41	101.25
Dividend per share - Interim	(Rs)	1.75	2.75	2.25	6.50	3.05	1.75
Dividend per share - Proposed Final	(Rs)	2.25	2.25	2.25	3.50	3.50	2.25
Market price per share							
- Year end	(Rs)	45.21	43.81	38.59	42.43	35.73	26.13
- High during the year	(Rs)	46.33	46.65	50.88	63.67	38.65	26.49
- Low during the year	(Rs)	37.20	36.70	35.30	35.08	25.08	12.48
Break up value	(Rs)	13.99	13.75	13.44	14.60	13.07	11.41

FINANCIAL PERFORMANCE		2014	2013	2012	2011	2010	2009
Capital Structure Ratios							
Financial leverage ratio		1.15	0.82	0.99	0.83	0.85	1.28
Weighted average cost of debt	(%)	10.45	10.20	11.70	12.85	12.53	13.18
Debt : Equity		43:57	04:96	09:91	19:81	24:76	31:69
Interest cover ratio	(Times)	5.40	6.64	4.55	15.86	11.37	4.98
			(Rupees in million)				
Summary of Balance Sheet							
Shareholders' equity		13,072	12,843	12,556	13,636	12,210	10,660
Capital employed		23,072	13,427	13,863	16,877	16,099	15,425
Property, plant & equipment		12,203	13,060	13,832	14,410	14,633	15,577
Total non - current assets		24,412	22,060	17,435	17,244	17,018	17,782
Working capital		1,936	(5,175)	25	3,273	2,929	1,697
Non current liabilities		13,277	4,042	4,905	6,881	7,737	8,818
Summary of Profit & Loss							
Sales - net		49,445	54,455	47,911	55,869	43,257	36,725
Gross profit		11,092	14,513	11,461	20,116	13,463	9,665
Profit before taxation		5,780	8,539	6,473	16,170	9,686	5,808
EBITDA		8,475	11,441	9,666	18,591	11,934	8,485
Profit after taxation		4,016	5,798	4,341	10,767	6,514	3,784
Summary of Cash Flows							
Net cash flow from Operating activities		8,507	9,940	1,443	8,354	7,388	20,744
Net cash flow from Investing activities		(6,411)	(10,246)	6,827	(7,508)	871	(266)
Net cash flow from Financing activities		(1)	(1,369)	(9,106)	(7,836)	(4,633)	(3,845)
Changes in cash and cash equivalents		2,095	(1,675)	(836)	(6,990)	3,626	16,633
Cash and cash equivalents - year end		5,137	3,042	4,717	5,553	8,317	6,318
			(Thousand tonnes)				
Quantitative Data							
Sona Urea (G) Production		213	224	281	433	524	627
Sona Urea (G) Sales		214	226	279	433	525	627
Sona DAP Production		702	744	648	662	660	540
Sona DAP Sales		709	773	611	663	658	709

Profitability ratios have decreased due to decrease in production and sales of Urea & DAP. Gross profit ratio has declined in 2014 as compared to 2013 mainly due to increase in GIDC rates during the year.

Return on equity has also shown deterioration from last year from 45% to 31% and exhibits the decline in returns to stakeholders.

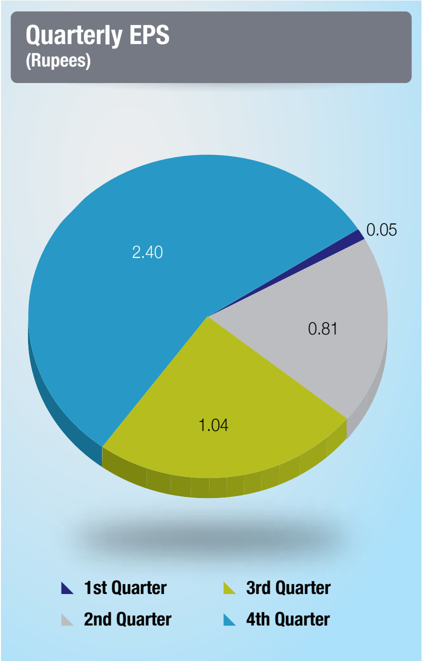
Earnings per share is generally considered to be the most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio. EPS of Rs. 4.30 for year 2014 is 31% lower than last year and indicates the decline in financial results of the Company.

Current ratio for the year 2014 has shown significant improvement from 0.73 to 1.10 as compared from last year. The main reason is conversion of short term facilities to long term loans.

Debtor turnover days have also deceased to 11 from 14 as compared with last year due to lower volume of sales in December 2014.

Quarterly Analysis - 2014

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annual
	(Rupees in million)				
Sales - net	6,041	9,708	12,908	20,788	49,445
Cost of sales	(5,211)	(7,321)	(9,984)	(15,837)	(38,353)
GROSS PROFIT	830	2,387	2,924	4,951	11,092
Selling and distribution expenses	(450)	(887)	(956)	(1,021)	(3,314)
Administrative expenses	(263)	(349)	(375)	(331)	(1,318)
Finance cost	(42)	(355)	(634)	(282)	(1,313)
Other operating expenses	(12)	(71)	(93)	(254)	(430)
Other income	10	220	444	389	1,063
PROFIT BEFORE TAXATION	73	945	1,310	3,452	5,780
Taxation	(26)	(190)	(340)	(1,208)	(1,764)
PROFIT AFTER TAXATION	47	755	970	2,244	4,016
Earnings per share basic and diluted (Rupees)	0.05	0.81	1.04	2.40	4.30
Production (MT)					
- Urea	22,210	80,043	55,384	55,526	213,163
- DAP	99,402	198,078	202,062	202,299	701,841
Sales (MT)					
- Urea	20,660	81,428	54,357	57,080	213,525
- DAP	90,200	123,510	187,909	306,976	708,595



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

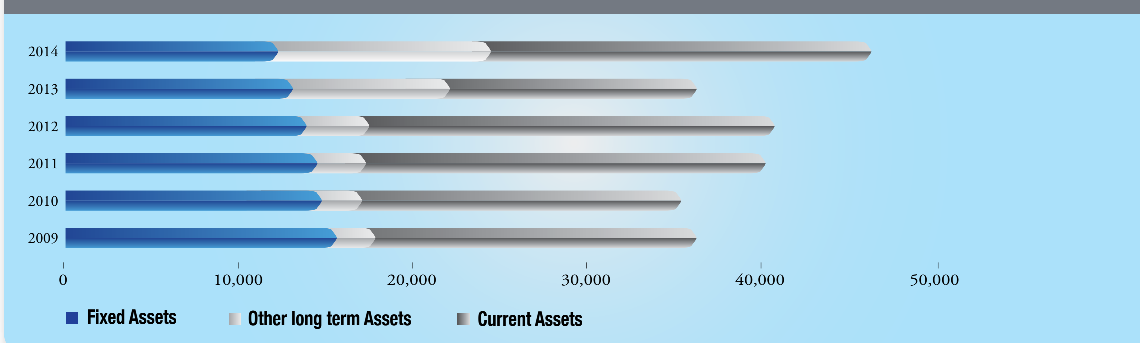
The demand of DAP is always high in fourth quarter due to sowing of Rabi crops. FFBL earnings in year 2014 showed a decline due to reduction in Urea & DAP sales which resulted in lower EPS as compared with last year.

Horizontal Analysis - Balance Sheet

Rupees in million

BALANCE SHEET	2014 Rs	14 Vs 13 %	2013 Rs	13 Vs 12 %	2012 Rs	12 Vs 11 %	2011 Rs	11 Vs 10 %	2010 Rs	10 Vs 09 %	2009 Rs	09 Vs 08 %
EQUITY AND LIABILITIES												
Equity												
Share capital	9,341	-	9,341	-	9,341	-	9,341	-	9,341	-	9,341	-
Reserves	228	-	228	(75.92)	947	3.05	919	-	919	(1.39)	932	16.50
Accumulated profit / (loss)	3,502	6.96	3,274	44.42	2,267	(32.85)	3,376	73.13	1,950	403.88	387	12.17
	13,071	1.78	12,843	2.29	12,555	(7.93)	13,636	11.68	12,210	14.54	10,660	1.66
Non Current liabilities												
Long term liabilities & deferred Government assistance	10,000	1,612.33	584	(52.60)	1,232	(61.99)	3,241	(16.66)	3,889	(18.38)	4,765	(18.81)
Deferred taxation	3,277	(5.23)	3,458	(5.85)	3,673	0.91	3,640	(5.41)	3,848	(5.06)	4,053	(3.43)
	13,277	228.48	4,042	(17.59)	4,905	(28.72)	6,881	(11.06)	7,737	(12.26)	8,818	(12.40)
Current liabilities												
Trade creditors, other payables & taxation	14,636	60.75	9,105	(22.43)	11,738	3.59	11,331	30.17	8,705	11.56	7,803	24.54
Interest and mark - up accrued	233	(1.27)	236	(16.01)	281	37.75	204	30.77	156	41.82	110	(81.48)
Short term borrowings	3,087	(61.34)	7,985	(13.37)	9,217	23.29	7,476	32.25	5,653	(26.87)	7,730	(57.66)
Current portion of deferred Government assistance	1,945	(3.19)	2,009	0.05	2,008	209.88	648	(25.94)	875	(20.74)	1,104	-
	19,901	2.93	19,335	(16.82)	23,244	18.24	19,659	27.75	15,389	(8.11)	16,747	(36.13)
	46,249	27.69	36,220	(11.02)	40,704	1.31	40,176	13.70	35,336	(2.45)	36,225	(22.55)
ASSETS												
Non-Current Assets												
Property, plant & equipment	12,203	(6.56)	13,060	(5.58)	13,832	(4.32)	14,456	(1.71)	14,707	(5.59)	15,577	(1.70)
Long term investments	12,131	35.97	8,922	152.96	3,527	30.10	2,711	21.30	2,235	5.03	2,128	(11.96)
Long term deposits & prepayments	78	-	78	2.63	76	-	76	-	76	(1.30)	77	413.33
	24,412	10.66	22,060	26.53	17,435	1.11	17,243	1.32	17,018	(4.30)	17,782	(2.72)
Current assets												
Stores, spares and loose tools	2,337	10.92	2,107	4.77	2,011	5.51	1,906	0.21	1,902	2.81	1,850	30.01
Stock in trade	1,557	37.91	1,129	(76.85)	4,876	43.12	3,407	168.06	1,271	3.59	1,227	(78.39)
Trade debts	1,466	(8.60)	1,604	(35.03)	2,469	281.61	647	(22.05)	830	74.00	477	67.37
Loans and advances	899	51.86	592	21.56	487	(0.81)	491	330.70	114	2.70	111	70.77
Deposits and prepayments	28	(6.67)	30	25.00	24	84.62	13	(7.14)	14	180.00	5	-
Other receivables	1,275	42.14	897	(70.71)	3,063	36.38	2,246	935.02	217	(53.43)	466	(96.44)
Short term investments	9,230	73.40	5,323	243.42	1,550	(82.46)	8,838	607.04	1,250	(73.17)	4,659	-
Cash and bank balances	5,045	103.59	2,478	(71.81)	8,789	63.21	5,385	(57.67)	12,720	31.84	9,648	21.48
	21,837	54.22	14,160	(39.15)	23,269	1.47	22,933	25.19	18,318	(0.68)	18,443	(35.27)
	46,249	27.69	36,220	(11.02)	40,704	1.31	40,176	13.70	35,336	(2.45)	36,225	(22.55)

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

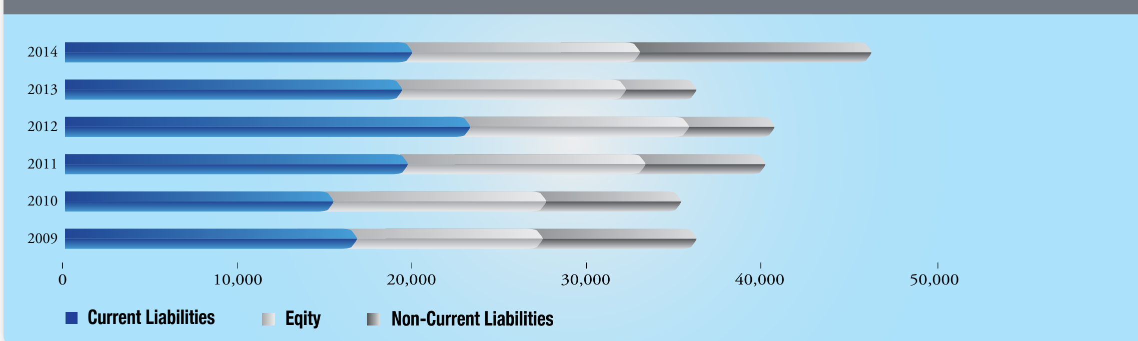


Vertical Analysis
- Balance Sheet

Rupees in million

BALANCE SHEET	2014 Rs	2014 %	2013 Rs	2013 %	2012 Rs	2012 %	2011 Rs	2011 %	2010 Rs	2010 %	2009 Rs	2009 %
EQUITY AND LIABILITIES												
Equity												
Share capital	9,341	20.20	9,341	25.79	9,341	22.95	9,341	23.25	9,341	26.43	9,341	25.79
Reserves	228	0.49	228	0.63	947	2.33	919	2.29	919	2.60	932	2.57
Accumulated loss / (gain)	3,502	7.57	3,274	9.04	2,267	5.57	3,376	8.40	1,950	5.52	387	1.07
	13,071	28.26	12,843	35.46	12,555	30.84	13,636	33.94	12,210	34.55	10,660	29.43
Non Current liabilities												
Long term liabilities & deferred Government assistance	10,000	21.62	584	1.61	1,232	3.03	3,241	8.07	3,889	11.01	4,765	13.15
Deferred taxation	3,277	7.09	3,458	9.55	3,673	9.02	3,640	9.06	3,848	10.89	4,053	11.19
	13,277	28.71	4,042	11.16	4,905	12.05	6,881	17.13	7,737	21.90	8,818	24.34
Current liabilities												
Trade creditors, other payables & taxation	14,636	31.65	9,105	25.14	11,738	28.84	11,331	28.20	8,705	24.63	7,803	21.54
Interest and mark - up accrued	233	0.50	236	0.65	281	0.69	204	0.51	156	0.44	110	0.30
Short term borrowings	3,087	6.67	7,985	22.05	9,217	22.64	7,476	18.61	5,653	16.00	7,730	21.34
Current portion of deferred Government assistance	1,945	4.21	2,009	5.55	2,008	4.93	648	1.61	875	2.48	1,104	3.05
	19,901	43.03	19,335	53.39	23,244	57.10	19,659	48.93	15,389	43.55	16,747	46.23
	46,249	100.00	36,220	100.00	40,704	100.00	40,176	100.00	35,336	100.00	36,225	100.00
ASSETS												
Non - Current Assets												
Property, plant, equipment	12,203	26.39	13,060	36.06	13,832	33.98	14,456	35.98	14,707	41.62	15,577	43.00
Long term investments	12,131	26.23	8,922	24.64	3,527	8.66	2,711	6.75	2,235	6.32	2,128	5.87
Long term deposits & prepayments	78	0.17	78	0.22	76	0.19	76	0.19	76	0.22	77	0.21
	24,412	52.78	22,060	60.91	17,435	42.83	17,243	42.92	17,018	48.16	17,782	49.09
Current assets												
Stores, spares and loose tools	2,337	5.05	2,107	5.82	2,011	4.94	1,906	4.74	1,902	5.38	1,850	5.11
Stock in trade	1,557	3.37	1,129	3.12	4,876	11.98	3,407	8.48	1,271	3.60	1,227	3.39
Trade debts	1,466	3.17	1,604	4.43	2,469	6.07	647	1.61	830	2.35	477	1.32
Loans and advances	899	1.94	592	1.63	487	1.20	491	1.22	114	0.32	111	0.31
Deposits and prepayments	28	0.06	30	0.08	24	0.06	13	0.03	14	0.04	5	0.01
Other receivables	1,275	2.76	897	2.48	3,063	7.53	2,246	5.59	217	0.61	466	1.29
Short term investments	9,230	19.96	5,323	14.70	1,550	3.81	8,838	22.00	1,250	3.54	4,659	12.86
Cash and bank balances	5,045	10.91	2,478	6.84	8,789	21.59	5,385	13.40	12,720	36.00	9,648	26.63
	21,837	47.22	14,160	39.09	23,269	57.17	22,933	57.08	18,318	51.84	18,443	50.91
	46,249	100.00	36,220	100.00	40,704	100.00	40,176	100.00	35,336	100.00	36,225	100.00

Balance Sheet Analysis (Assets)
(Rupees in million)



Horizontal & Vertical Analysis
- Profit and Loss Account

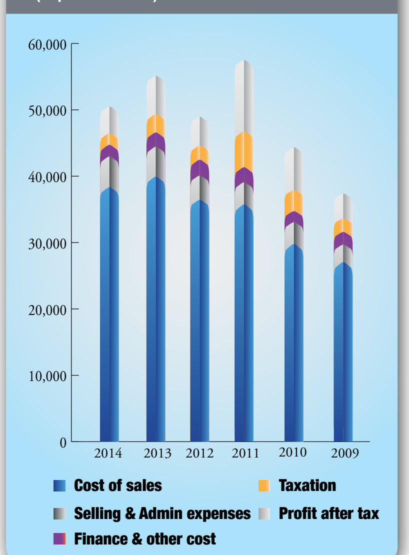
HORIZONTAL ANALYSIS — Rupees in million

PROFIT & LOSS	2014 Rs	14 Vs %	2013 Rs	13 Vs 12 %	2012 Rs	12 Vs 11 %	2011 Rs	11 Vs10 %	2010 Rs	10 Vs 09 %	2008 Rs	09 Vs 08 %
Sales - net	49,445	(9.20)	54,455	13.66	47,911	(14.24)	55,869	29.16	43,257	17.79	36,725	36.93
Cost of Sales	38,353	(3.98)	39,942	9.58	36,450	1.95	35,753	20.00	29,794	10.10	27,060	45.52
Gross profit	11,092	(23.57)	14,513	26.63	11,461	(43.03)	20,116	49.42	13,463	39.30	9,665	17.49
Selling & distribution expenses	3,314	(4.02)	3,453	29.52	2,666	4.39	2,554	(1.20)	2,585	15.61	2,236	25.83
Administrative expenses	1,318	25.73	1,048	6.94	980	26.13	777	11.00	700	74.56	401	93.72
	6,460	(35.47)	10,012	28.11	7,815	(53.44)	16,785	64.91	10,178	44.82	7,028	12.59
Finance cost	1,313	(13.34)	1,515	(16.85)	1,822	67.46	1,088	16.49	934	(36.03)	1,460	(47.71)
Other operating expenses	430	(32.69)	639	13.02	565	(52.00)	1,177	65.08	713	60.95	443	(21.59)
	4,717	(39.97)	7,858	44.78	5,428	(62.62)	14,520	70.20	8,531	66.46	5,125	77.64
Other income	1,063	56.09	681	(34.85)	1,045	(36.67)	1,650	42.98	1,154	68.96	683	(55.07)
Profit before taxation	5,780	(32.31)	8,539	31.92	6,473	(59.97)	16,170	66.96	9,685	66.75	5,808	31.85
Taxation	1,764	(35.65)	2,741	28.58	2,132	(60.54)	5,403	70.39	3,171	56.67	2,024	34.49
Profit after taxation	4,016	(30.73)	5,798	33.56	4,341	(59.68)	10,767	65.29	6,514	72.15	3,784	30.48

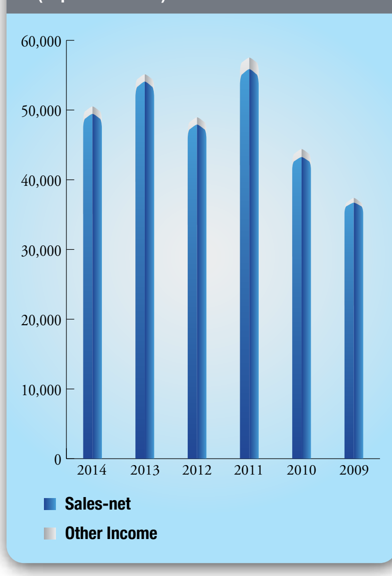
VERTICAL ANALYSIS — Rupees in million

PROFIT & LOSS	2014		2013		2012		2011		2010		2009	
	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%	Rs	%
Sales - net	49,445	100.00	54,455	100.00	47,911	100.00	55,869	100.00	43,257	100.00	36,725	100.00
Cost of Sales	38,353	77.57	39,942	73.35	36,450	76.08	35,753	63.99	29,794	68.88	27,060	73.68
Gross profit	11,092	22.43	14,513	26.65	11,461	23.92	20,116	36.01	13,463	31.12	9,665	26.32
Selling & distribution expenses	3,314	6.70	3,453	6.34	2,666	5.56	2,554	4.57	2,585	5.98	2,236	6.09
Administrative expenses	1,318	2.66	1,048	1.92	980	2.05	777	1.39	700	1.62	401	1.09
	6,460	13.07	10,012	18.39	7,815	16.31	16,785	30.04	10,178	23.53	7,028	19.14
Finance cost	1,313	2.66	1,515	2.78	1,822	3.80	1,088	1.95	934	2.16	1,460	3.98
Other operating expenses	430	0.87	639	1.17	565	1.18	1,177	2.11	713	1.65	443	1.21
	4,717	9.54	7,858	14.43	5,428	11.33	14,520	25.99	8,531	19.72	5,125	13.96
Other income	1,063	2.15	681	1.25	1,045	2.18	1,650	2.95	1,154	2.67	683	1.86
Profit before taxation	5,780	11.69	8,539	15.68	6,473	13.51	16,170	28.94	9,685	22.39	5,808	15.81
Taxation	1,764	3.57	2,741	5.03	2,132	4.45	5,403	9.67	3,171	7.33	2,024	5.51
Profit after taxation	4,016	8.12	5,798	10.65	4,341	9.06	10,767	19.27	6,514	15.06	3,784	10.30

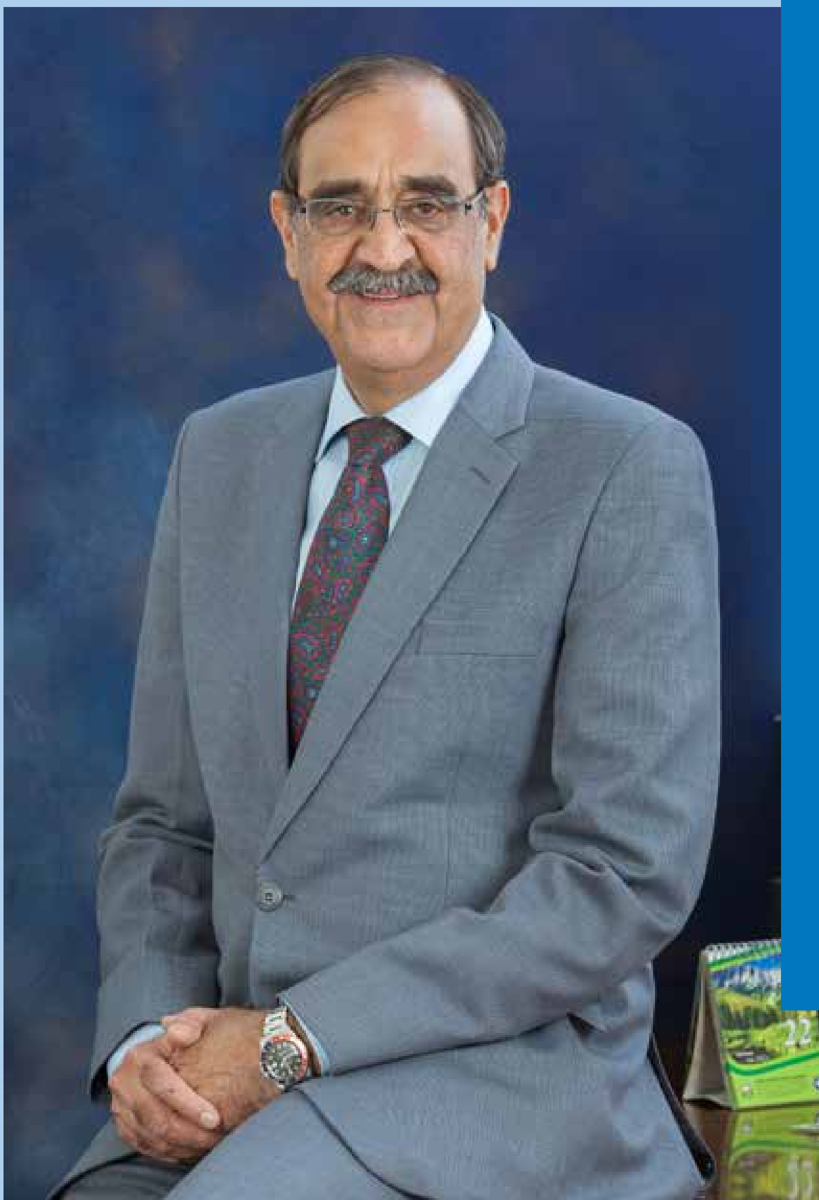
Profit and Loss Analysis (Expenses)
(Rupees in million)



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



Chairman's Review



On behalf of the Board of Directors, I am pleased to present Company's annual report and performance for the year ended Dec 31, 2014

Things seem to be moving in the right direction for Pakistan lately despite daunting challenges faced by the economy, political unrest and security situation. This can be seen in the improved financial management and decision making. The stock exchange index broke all previous records during 2014 indicating relatively better economic recourse.

The fertilizer sector performance during 2014 has been moderate considering the difficult operating environment emanating from severe gas curtailment. The profit margins have further decreased due to enhancement in Gas Infrastructure Development Cess (GIDC).

FFBL's performance has been good for 2014 despite increased gas restrictions and further increase in GIDC on Feed and Fuel gas which has not been passed on to the customers. Overall profits of the Company have decreased but the Company has made serious headways to meet the challenges faced. The Company has set-up a coal based power generation Company by the name of FFBL Power Company Limited that will not only cater for power and steam requirement of FFBL but will also supply electricity to K-Electric thereby improving financial health of the Company.

Investments made by the Company in previous years have started paying off. The Company received dividends from Askari Bank Limited and Fauji Cement Company Limited during the year.

FFBL's investment in Foundation Wind Energy power projects will bear fruit in 2015. Foundation Wind Energy – II has started its commercial production in Dec 2014, while Foundation Wind Energy – I is expected to start its commercial production in March 2015.

The management and employees of the Company have done a commendable job by operating the plant at low gas load throughout the year and have managed to get better results despite all odds.

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

I must acknowledge the contribution of GoP, SSGCL, our customers, suppliers and bankers in achieving Company's success and look forward to 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 having displayed great confidence and trust in the Company.

For and on behalf of the Board

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

A Word From The Chief Executive

By the Grace of Almighty, year 2014 ended well for the Company. The Company has managed to earn adequate profit in the face of all accompanying challenges including continuous and increased gas curtailment and out of proportion increase in GIDC. Yet, the financial results depict Company's steady performance during the year achieving Earnings Per Share of Rs 4.30

The gas limitations increased by 3% to 41% in year 2014. As a consequence, Ammonia and Urea suffered, resulting in lower production by 5% each as compared to last year. In year 2014, Ammonia and Urea production is lower by 45% and 66% respectively viz-a-viz installed capacity. Ammonia and Urea plants remained completely shut down for 49 days and 179 days respectively during the year.

Despite the low load of gas, the Company utilized scarce resources to attain most beneficial mix and managed to produce 701,841 MT of DAP during the year, lower by 6% compared to the previous year. This number in itself is a great success despite the plant shut down for 47 days during initial two months of the year owing to gas curtailment. It was made possible only through efficient management of low load without compromising on safe and expedient operations of the plants. FFBL achieved ever highest DAP production of 72,390 MT in a single month in December 2014 which speaks of professional abilities of our dedicated employees.

We reiterate our commitment to support GoP in its efforts to resolve energy crisis which is hampering our economic progress. We stand firm with GoP for prioritizing the gas management load to avoid costly imports of fertilizers.

FFBL is a visionary and pro-active organization setting up long term goals for sustained growth to maximize return for the stakeholders. The Company`s investment in Askari Bank Limited and Fauji Cement Company Limited have started paying off. The Company has received Rs 272 million dividend from Askari Bank and Rs 28 million dividend from Fauji Cement. Our sound investment in Pakistan Maroc Phosphore continues to ensure un-interrupted supply of Phosphoric Acid.

The Company continues on its path of diversification and has taken a big leap forward with the incorporation of coal based power generation Company. This Company will not only meet the requirement of FFBL but will also be able to sell surplus electricity to K-Electric. The project will go a long way in fulfilling Company`s goal of maintaining sustained growth and broadening its income base.

FFBL is also making progress in its Meat and Food projects. The Company has shown interest in acquiring Noon Pakistan Limited, a dairy based Company.

I wish to thank all employees of the Company for their efforts during another challenging year. Their dedication and consistent hard work made it possible for FFBL to be a leading organization for all stakeholders.

I also wish to acknowledge the contributions of our valued customers, GoP, respected shareholders and other stakeholders in achieving Company’s success and look forward to their continued support in the future as well.

Lt Gen Muhammad Haroon Aslam
HI(M), SBt, (Retd)
CE & MD

Directors' Report

The Directors are pleased to present 21st Annual Report along with Audited Financial Statements of the Company and the Auditors' report thereon for the year ended December 31, 2014

Pakistan Economy and its Outlook

Pakistan economy for the year 2014 showed a mixed bag of ups and downs as it is toiling hard to recover from years of macro and micro economic mismanagements. The aspiration is to bring pragmatic structural corrections as a daunting task which requires vigorous efforts. The political, economic and security environment largely remained indeterminate due to continuous disruptions to whatever corrective measures were taken. Financial discipline did improve which improved IMF confidence extending fund facility program to Pakistan. The stock exchange index is also indicating better investor confidence.

The calendar year end saw the economy attaining foreign reserve target of US$ 15 billion. This is a good omen as far as statistics are concerned but the fact remains that the reserves have not built up to this level due to economic gains, rather it was only possible after costly borrowings against Euro and Sukuk Bonds and IMF's lending which totals US$ 6.2 billion.

The GDP growth rate is projected at 4.3% in 2014-15, as compared to 4.1% in 2013-14. The large-scale manufacturing sector is in the grip of a slow progression. It is estimated that there is a modest increase in the output of cotton and sugarcane crops. However, rice production has declined significantly. The expectations are that there will be an increase in the output of wheat crop of about 4%. Overall, the major crop sector is likely to show a somewhat higher growth rate of about 2%, as compared to only 1% achieved last year. The economy also saw bottoming inflation which was down to 4% in November of 2014 and is expected to average around 6-6.5 percent for the financial year 2015.

Falling oil prices should not make our economic managers complacent. This is surely a good opportunity, as it provides breathing space to the economy. Thereby maximum advantage of falling oil prices requires developing a strategy, planning and determination to get the best result through better management.

Pakistan is facing a severe energy crisis. Presently, the gap between demand and supply is estimated around 7,000 MW. This is the biggest socio-economic issue facing the country. A swift resolution of the energy crisis will be a huge economic boost for Pakistan. Pakistan generates around 37% of its electricity using oil, the most expensive source of power generation. Whereas there is negligible power generation based upon the natural reserves of coal in Pakistan. In contrast, the global average for coal is around 41% while oil accounts for only 6% of global power generation. This imbalanced energy fuel mix is unsustainable for Pakistan. Coal needs to replace oil to bring down the overall costs of power generation.

The sharp decline in oil prices is a God sent opportunity for Pakistan which can allow for substantial fiscal space to the Government to improve the overall fiscal position of the economy and further increase the GDP growth rate.

The economy is set to come out of this chasm, but things will get tougher in the wake of counter terrorism surge,

before the much brighter medium term projections of growth and stability can be realized. Year 2015 is going to be another year of tough choices, but firm resolve and determined action in the coming months can yield a bright future in 2016 and beyond.

Global Economy

Global growth in 2014 was lower than initially expected, continuing a pattern of disappointing outturns over the past several years. Growth picked up only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013. While activities in the United States and the United Kingdom have gathered momentum, the recovery has been sputtering in the Euro Area and Japan as legacies of the financial crisis linger, intertwined with structural bottlenecks. China, meanwhile, is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand, but also domestic policy tightening, political uncertainties and supply-side constraints.

Several major forces are driving the global outlook: soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economies; and weak world trade. In particular, the sharp decline in oil prices since mid-2014 will support global activity and have offset some of the headwinds to growth in oil-importing developing economies. However, it will dampen growth prospects for oil-exporting countries, with significant regional repercussions.

The current juncture presents a window of opportunity for reform. The sharp decline in oil prices means that policymakers could implement subsidy

Directors' Report

and tax reforms to help rebuild fiscal space or finance better targeted pro-poor policies while removing distortions that hinder activity. The challenge now is for policymakers to seize this opportunity.

Europe and Japan are still faced with low growth syndrome and the economies are dependent on lax monetary policy. Russia is the most recent casualty of oil price slump and its economy is tagged with plenty of inter-connected links. Russia is already faced with capital outflow problem weakening Rubble and is also faced with credit line issues.

Following four years of stability at around $105/bbl, oil prices have declined sharply since June 2014. If sustained, lower oil prices will contribute to global growth and lead to sizeable real income shifts to oil importing countries from oil-exporting ones. The plunge in crude prices will give a much-needed boost to Asia's oil-guzzling economies and provides governments with a "golden opportunity" to implement crucial structural reforms such as cutting expensive energy subsidies. Lower oil prices would ease inflation or reduce interest rates.

Most of the Asian economies are large net importers of oil and gas, and will benefit from lower oil import costs and significantly reduced fuel costs for consumers. Among the top winners is the airline sector, while shipping and energy-intensive heavy manufacturing industries such as steel will benefit across the region.

Global trade grew less than 4 percent a year during 2013-14, well below the pre-crisis average annual growth of about 7 percent. If global trade had continued to expand at its historical trend, it would have been some 20 percent above its actual level in 2014. The slowdown in global trade has been driven by both cyclical factors, notably persistently weak import demand in high-income countries, and structural factors, including the changing relationship between trade and income. Specifically, world trade has become less responsive to changes in global income because of slower expansions of global supply chains and a shift in demand towards less import-intensive items.

International Agriculture and Fertilizer Situation

At the end of the 2012-13 marketing campaign, world grain inventories were on the decline. A combination of high crop prices and favourable weather boosted plantings and yields in 2013, resulting in a record harvest for all major cereal and oilseed crops. Global cereal inventories and stocks held by the major exporters at the end of the 2013-14 campaign sharply rebounded, triggering declining prices, but prices remained relatively attractive compared to historical trends. Ending stocks of soybean, sugar and cotton are anticipated to increase. In a context of large export availabilities and relatively weak import demand, international cereal, oilseed, sugar and cotton prices have declined further in 2014, to their lowest level since 2010. Prices of most commodities are expected to remain under downward spiral in the coming months.

In response to sharply declining crop prices, commercial farmers have reduced their fertilizer application rates in 2014. World fertilizer demand is forecast to rise by only 0.6% in 2014-15, to 183.8 million tonnes (Mt). Global Phosphorous (P) demand will stagnate for the third consecutive year at 41.5 Mt P_2O_5, while demand for Nitrogen (N) and Potassium (K) will increase by less than 1% to 111.9 Mt for N and 30.4 Mt for K, respectively. Between 2012-13 and 2015-16, global demand is expected to increase by 6.9% for K, 4.8% for N and 2.0% for P.

World nutrient sales showed modest growth in 2014. Fertilizer demand was relatively static in Europe and East Asia, while robust growth prevailed in Latin America and Africa. There was soft demand in North America, South Asia and West Asia. Global fertilizer demand in 2015 is projected to show a moderate recovery, increasing 1.1% to 185.9 Mt nutrients. Global nutrient sales for all uses in 2014 were estimated at 237 Mt nutrients, increasing 2% over 2013. Fertilizer sales, which accounted for 78% of total sales, were estimated at 184 Mt nutrients, grew a merely 0.5% over 2013. On average, the fertilizer industry operated at 78% of installed capacity. The prospects for 2015 point to 1.5-2.0% growth in global nutrients demand reaching 240 Mt nutrients.

Global output of elemental sulphur in 2014 rose 5.7% to 58.3 Mt, compared with a 3% increase in demand to 60 Mt. In 2015 world elemental sulphur production is forecasted to grow 6.2% to 61.9 Mt. Large increases in sulphur recovery are projected in Asia and Eastern Europe and Central Asia (EECA); these two regions would contribute 95% of the projected expansion in 2015. Firmer demand is anticipated in industrial sectors, compared with relatively stable consumption of sulphuric acid for the manufacturing of fertilizers.
Global ammonia capacity is projected to grow 4% to 223.7 Mt in 2015. New capacity is seen in Brazil, China, Egypt, India, Indonesia, Russia and Vietnam.

Global Urea demand in 2014 was stagnant at 168 Mt due to weak urea fertilizer use, especially in China. Global demand in 2015 is projected at 174 Mt, representing an increase of 4% over 2014. Urea use in fertilizers would recover in 2015, growing 2%, while industrial urea demand would show more rapid growth, contributing two-thirds of the incremental increase over 2014. Close to 30 new units are planned to come on stream in 2014 and 2015. Global Urea capacity would increase by 2% in 2014 to 208 Mt, and by 6% in 2015 to 221 Mt. China will contribute half of the net increase in global capacity in 2014-15. The main additions to capacity outside China will occur in Brazil, Egypt, India, Indonesia, Saudi Arabia, the United States and Vietnam. Global Urea supply is estimated at 183 Mt in 2014 and 187 Mt in 2015.

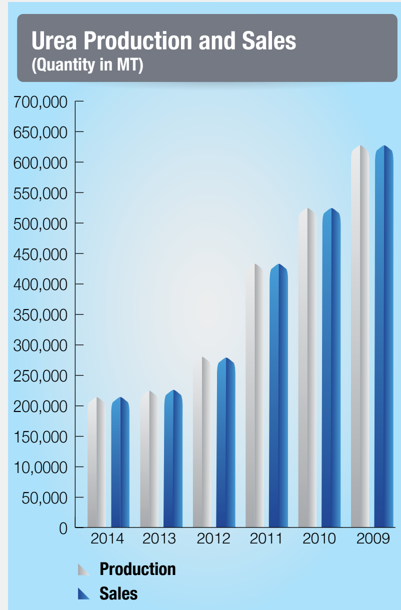
Global phosphate rock supply in 2015 would expand 2.6% to 230 Mt. The main increases in phosphoric acid capacity in 2014-15 are expected in Morocco, China and Jordan. Together these three countries would account for 85% of this 6 Mt supply increment over 2014. Global phosphoric acid capacity is projected at 55.6 Mt P_2O_5 in 2014 and 57.6 Mt P_2O_5 in 2015. No new Merchant Grade Phosphoric Acid (MGA) supply will emerge in the short term. Global supply of phosphoric acid is estimated at 47 Mt P_2O_5 in 2015.

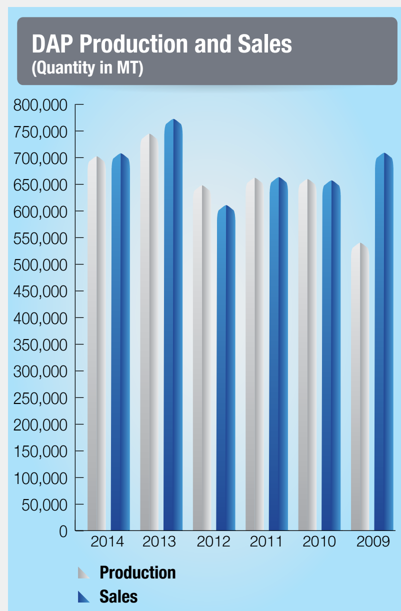
About eight new units for processed phosphates are planned in 2014 and 2015, China will account for half these units. Global processed phosphates capacity would reach 43.1 Mt P_2O_5 in 2014 and 44.6 Mt in 2015. DAP is expected to account for nearly all the capacity increment between 2013 and 2015, which would mostly occur in China and Morocco.

Operational Highlights

By the grace of Almighty, the overall performance of the plants remained satisfactory and safe during the year. Gas curtailment on FFBL remained the biggest challenge especially for the plants on Sui network. The gas curtailment to FFBL increased by 3% to 41% in year 2014. This curtailment adversely affected production of Ammonia and Urea which is lower by 5% each as compared to last year. For the year 2014 Ammonia and Urea production is lower by 45% and 66% respectively in comparison with installed capacity.

Despite increased gas curtailment, the Company achieved 701,841





metric tonnes (MT) of DAP during the year lower by 6% compared to the previous year. This was possible due to better management of low load of gas and maintaining safe and efficient operations of the plants which is a great success. This production was also achieved due to close coordination with Office Chérifien des Phosphates (OCP) for smooth supply of Phosphoric Acid from our Pakistan Maroc Phosphore (PMP) Plant.

Turnaround 2014

The Company successfully completed annual turnaround during first quarter with the satisfactory inspection and maintenance of all equipment in a risk-free manner. Safety orientation and awareness trainings were imparted to internal and external persons who participated in turnaround. Regular maintenance of plant and equipment is the key for efficient utilization of production resources. All activities were successfully completed within the stipulated time to improve plant efficiency and reliance. Foreign consultants from different countries also participated in the turnaround. Major jobs carried out are as follows:

- Primary Reformer (F-101) catalyst tubes top flanges weld joint inspection.
- Refractory inspection of Primary and Secondary Reformers by M/s J.T. Thorpe expert.
- Desulphurizer (C-1002) catalyst change out.
- Tie-ins for supply of high pressure Natural Gas to KGT, GT-1 and GT-2.
- Process Air Compressor–A and NG Booster Compressor turbines inspection and overhauling.
- CO2 Compressor low pressure casing inspection & overhauling.
- Replacement of FRP ducts with SS materials for Fan (DK-5012).
- Major repair of Granulator Scrubber Tank (DT-511).

Gas Curtailment and GIDC-future prospects

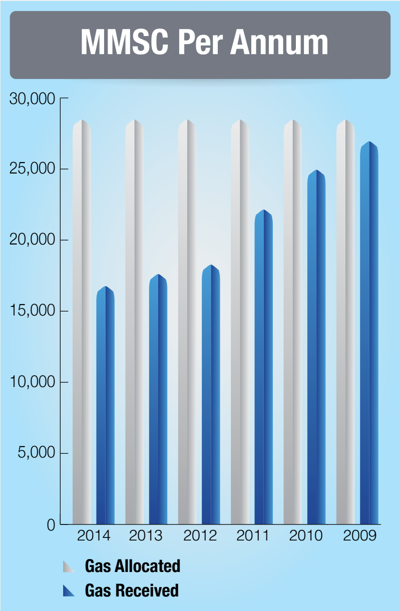
For yet another year, the performance of fertilizer sector of the country remained moderate considering the odds up against. Government of Pakistan (GoP) strategy is to reduce the electricity load shedding for which currently available remedy is diversion of gas from fertilizer plants to power sector. Instead of providing gas to local fertilizer plants to produce Urea domestically, GoP has preferred to import Urea by spending a large amount of foreign exchange and further to this, GoP is also paying huge subsidy on the imported Urea to keep it at the price of locally produced Urea.

FFBL's Ammonia and Urea plants remained shutdown for 49 days and 179 days respectively during the year due to non availability of gas. Average gas received was 46 MMSCF per day against the agreed 85 MMSCF per day by SSGC resulting in overall curtailment of 41%.

During the past years GoP has altered its priority in the allocation of gas load management for fertilizer sector. Formerly the fertilizer sector was on second priority after domestic and commercial has been placed at third place whilst the power sector moved up to second place, which inevitably meant that the fertilizer sector faced further restrictions. Despite these facts, the overall Urea production during the year is close to what was achieved last year.

As a result of this significant gas curtailment, the industry could only produce 4.9 million metric tonnes of Urea in year 2014 against annual production capacity of 6.9 million metric tonnes, a reduction of 29%.

Following statistics show increasing gas curtailment to FFBL plant. The gas curtailment has reached to 41 percent in 6 years time.



GoP had imposed Gas Infrastructure Development Cess (GIDC) effective from Jan 01, 2012 on Feed and Fuel gas. The rate of GIDC was increased from Jan 01, 2014. GIDC on Feed gas has been increased to Rs 300 per MMBTU effective from Rs 197 per MMBTU. Fuel gas rate was increased twice during the year from Rs 50 per MMBTU to Rs 100 per MMBTU effective from January 01, 2014 and from Rs 100 per MMBTU to Rs 150 per MMBTU effective from July 01, 2014. This has affected the profitability of the Company as FFBL has not completely passed on its impact to the customers.

The GIDC Ordinance was approved by the President of Pakistan on September 25, 2014 this then had to be approved by the National Assembly within 90 days. However due to detailed discussions, it could not be approved within 90 days and Government took a delay of further four months for its approval.

Year	Gas Allocated	Gas Received	Shortage	%age
	MMSC per Annum			
2014	28,475	16,773	11,702	41
2013	28,475	17,626	10,849	38
2012	28,475	18,284	10,191	36
2011	28,475	22,159	6,316	22
2010	28,475	24,951	3,524	12
2009	28,475	26,945	1,530	5

Marketing Highlights

Domestic Fertilizer Market Situation

Domestic fertilizer market fluctuated during the year from bearish in the first half of the year to a bullish note by the close of year 2014. This was due to product limitation in the third quarter which led to increase in market price over the suggested price for sale.

During the year unexpected weather phenomenon i.e. rains at start of Kharif season of 2014 delayed sowing, whereas floods in September inundated cropped area alongside River Chenab caused damage to standing crops and livestock. However these natural disasters had low impact on fertilizer off take as application had already been completed.

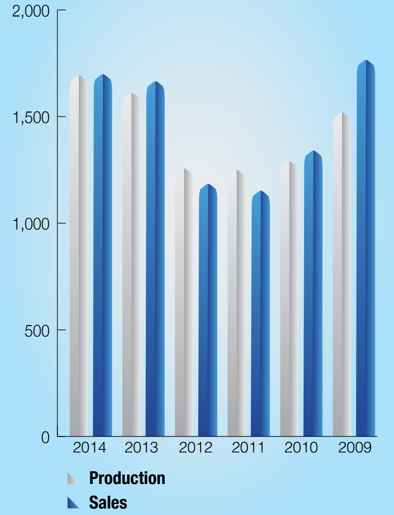
UREA

Delayed imports of Urea by Government of Pakistan (GOP) at the start of Rabi season 2014-15 and the production constraints faced by the plants operating on National Grid (SNGPL & SSGCL) contributed towards lower than expected Urea off-take during the year 2014.

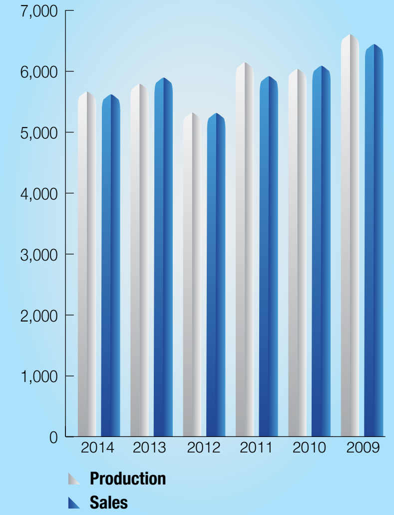
Urea inventories at the end of the year are estimated to be around 305 thousand tonnes, of which major

Directors' Report

Industry Out Put Vs Offtake - DAP
(Quantity in thousand tonnes)



Industry Out Put Vs Offtake - Urea
(Quantity in thousand tonnes)



portion is likely to be with NFML. Plants on National Grid continued to suffer from gas curtailment as their production loss is estimated to be at 200 thousand tonnes during Jan-Dec 2014 or about 40% more than the production of same period last year. On the other hand Engro's production improved by 17% during the period under review as compared with Jan-Dec 2013 due to improved gas supplies.

Domestic Urea market is estimated to decrease by 5% during Jan-Dec 2014 as compared to the same period of 2013. The Urea inventory at beginning of the year was 321 thousand tonnes; 26% lower than opening inventory of 2013. Estimated industry Urea production is 4,898 thousand tons during Jan-Dec 2014, 1% more than the production of 4,829 thousand tonnes during last year. Urea imports by GoP during Jan-Dec 2014 were 769 thousand tonnes which was 20% lower than the imports of 967 thousand tonnes during Jan-Dec 2013. Sales are estimated at 5,618 thousand tonnes as compared to 5,897 thousand tonnes sales of Jan-Dec 2013. Urea inventory is estimated at 305 thousand tonnes at the end of December 2014, which is 5% lower as compared to the closing inventory at the end of year 2013.

DAP

Domestic DAP market is heading towards 1.7 million tonnes showing an increase of 3% in year 2014 as compared to last year, which is the second highest level achieved by the industry.

Year 2014 started with DAP opening inventory of 126 thousand tonnes which was 20% lower as compared to 157 thousand tonnes opening inventory of 2013. Domestic DAP market during Jan-Dec 2014 is estimated at 1,710 thousand tonnes as compared to 1,667 thousand tonnes sales of Jan-Dec 2013. During the period Jan-Dec 2014, Sona DAP production is 702 thousand tonnes, down by 6% than 744 thousand tonnes production of same period last year mainly due to gas curbing at the start of the year 2014. DAP imports during Jan-Dec 2014 witnessed an increase of 14% to 993 thousand tonnes than 869 thousand tonnes imports of the same period last year due to rising domestic demand for phosphatic fertilizer. Closing inventory at the end of December 2014 is estimated at 131 thousand tonnes which is 4% more than the closing inventory of December 2013.

FFBL Sales Performance

Sona Urea (Granular) sales during Jan-Dec 2014 are 214 thousand tonnes. Sales are 5% lower as compared to 226 thousand tonnes sales during the same period of 2013 owing to limited production due to gas reduction.

Sona DAP sales during Jan-Dec 2014 are 709 thousand tons. Sales are 8% lower as compared to 773 thousand tons sales during the same period of 2013 due to gas curtailment during Jan-Feb 2014.

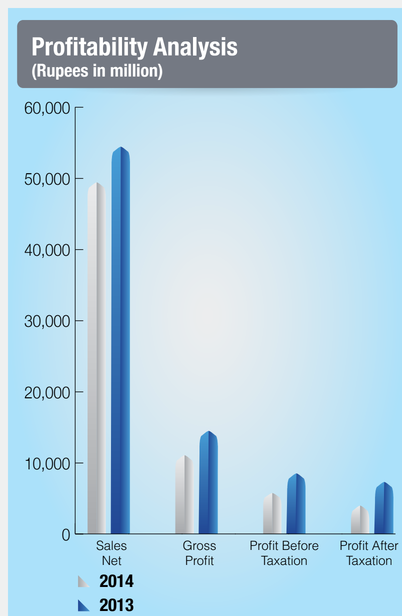
During Jan-Dec 2014, FFBL share in Urea market is estimated to be 3.8% which is the same level achieved last year. FFBL share in DAP market during Jan-Dec 2014 is estimated to be 41.4% as compared to 46.4% during the same period last year.

FFBL's financial results for the year 2014 have shown adequate profits though reduced as compared to last year. The main reason is further increase in gas curtailment that went up to 41%. The Company was forced to produce lesser quantity of Urea and DAP. The margins also capitulated due to further increase in GIDC on feed gas by 52% effective January 1, 2014

Financial Highlights

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

	2014	2013
	Rs (million)	
Sales – net	49,445	54,455
Gross profit	11,092	14,513
Profit before tax	5,780	8,539
Net profit after tax	4,016	5,798
Earnings per share (Rs)	4.30	6.21



Financial Review

FFBL's financial results for the year 2014 have shown adequate profits though reduced as compared to last year. The main reason is further increase in gas curtailment that went up to 41%. The Company was forced to produce lesser quantity of Urea and DAP. The margins also capitulated due to further increase in GIDC on feed gas by 52% effective January 1, 2014. The Company managed to produce 702 thousand tonnes of DAP lower by 6% compared to the previous year. FFBL sold 709 thousand tonnes of DAP during the year reduced by 8.3% from 773 thousand tonnes last year.

The Company earned a gross profit of Rs 11,092 million in 2014 as compared to Rs 14,513 million in the corresponding year. Financial charges have decreased to Rs 1,313 million from Rs 1,515 million due to significant reduction in exchange loss figure. Favorable movement n US$, Euro and Pound rates during the last quarter of 2014 trimmed down exchange loss to only Rs 16 million as compared to Rs 376 million in the corresponding year.

Net profit after tax stood at Rs 4,016 million in 2014 against Rs 5,798 million for the corresponding year. Company's Earnings Per Share (EPS) at December 31, 2014 stood at Rs 4.30 against an EPS of Rs 6.21 in the corresponding year.

Directors' Report

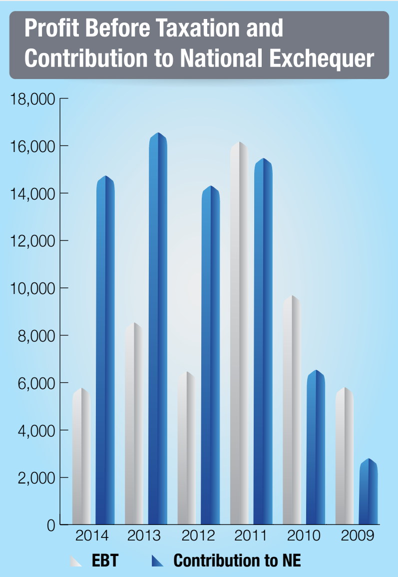
FFBL Performance at a Glance

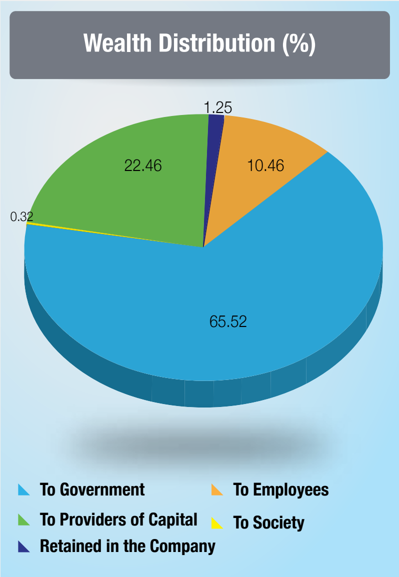
The summary of the FFBL performance for the last 6 years given below:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Annual	
Year	EPS	DPS	EPS	DPS	EPS	DPS	EPS	DPS	EPS	DPS
2014	0.05	-	0.81	1.00	1.04	0.75	2.40	2.25	4.30	4.00
2013	0.53	-	1.42	1.75	1.58	1.00	2.68	2.25	6.21	5.00
2012	(0.41)	-	1.10	-	1.59	2.25	2.37	2.25	4.65	4.50
2011	1.67	1.25	2.09	2.25	3.91	3.00	3.86	3.50	11.53	10.00
2010	0.87	0.50	0.98	1.30	1.29	1.25	3.83	3.50	6.97	6.55
2009	0.01	-	0.52	0.50	1.40	1.25	2.12	2.25	4.05	4.00

Contribution to National Exchequer and Value Addition

During the year, the Company has contributed an amount of Rs 14,737 million as against Rs 16,559 million in 2013, towards the National Exchequer on account of GoP levies, taxes and import duties etc. Value addition in terms of net foreign exchange savings worked out to US$ 442 million through import substitution by manufacturing 214 thousand tonnes of Urea and 702 thousand tonnes of DAP during 2014. Contribution to the economy included Rs 3,752 million in the form of Shareholders' returns through cash dividends, Rs 1,299 million on account of payments to providers of capital in the form of mark-up and interest, while employees' remuneration and benefits stood at Rs 2,595 million.





	2014 Rs in million	2014 %	2013 Rs in million	2013 %
Wealth Generated				
Total revenue inclusive of sales tax and other income	59,056	262.56	64,309	251.35
Purchases - material and services	36,564	(162.56)	38,724	(151.35)
	22,492	100.00	25,585	100.00
Wealth Distribution				
To Employees				
Salaries, wages and other benefits	2,353	10.46	2,377	9.29
To Government				
Income tax, sales tax, custom and excise duty	12,052	53.58	13,194	51.57
GIDC	2,345	10.43	2,948	11.52
WPPF	340	1.51	417	1.63
To Society				
Donations and welfare activities	70	0.32	47	0.19
To Providers of Capital				
Dividend to shareholders	3,752	16.68	4,476	17.49
Finance cost of borrowed funds	1,299	5.78	1,183	4.62
Retained in the Company	280	1.25	943	3.69
	22,492	100.00	25,585	100.00

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 alteration to the Company's practice to capital management during the year and the Company is not subject to any externally imposed capital requirements. In order to achieve our goals for the furtherance of this 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 the business objectives.

Risk Management

The management of the Company is primarily responsible for risk management, but the Board of Directors, internal auditors and external auditors also play critical roles. Risk management is the process of identifying, quantifying, and managing the risks that an organization faces. As the outcomes of business activities are uncertain, they are said to have some element

of risk. These risks include strategic failures, operational failures, financial failures, market disruptions, environmental disasters, and regulatory violations.

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

Assessment of Effectiveness of Risk Management

The Board's policy on risk management encompasses all significant business risks to the Company, including financial, operational and compliance risk. The Board also receives assurance from the Audit Committee, on the basis of 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.

SWOT Analysis

Strengths

- The only granular Urea plant in Pakistan
- The only DAP manufacturer in Pakistan
- Offshore jointly controlled entity to secure the supply of raw material
- Competent and committed human resources

Weaknesses

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

Opportunities

- Growing fertilizer demand in the country

Directors' Report

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

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

- Diversification of investment and products
- Opportunity to export fertilizer
- Brand goodwill

Threats

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

Risk and Opportunity Report

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

Risks

1. Security and political situation in the country is volatile
2. Gas diminution due to diversion of gas to other sectors by GoP
3. Fluctuating exchange rate
4. Unexpected imposition of duties, taxes, etc. on the products and raw materials of the Company
5. Frequent change in legal and regulatory environment in which the business operates
6. Unpredictable international market situation with reference to phosphate, sulphur and nitrogenous products

Opportunities

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

Financial Reporting

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

Safeguarding of Financial Transactions and Records

In an era of ever modifiable technological and business environment, organizations record their transactions to determine their performance and keep the records for future reference. This entails requirement for ensuring backup and security of data with modern IT enabled tools.

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

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

Dividend

Based on the performance of the Company, the Board is pleased to propose a final dividend of Rs 2.25 per share (22.5%) in respect of the financial year ended December 31, 2014. This final dividend will be subject to the approval of shareholders in their meeting scheduled on March 26, 2015. Moreover, two interim dividends of Re 1.00 per share (10.00%) and Re 0.75 per share (7.50%) were also paid during the year.

WHISTLE BLOWING POLICY

The whistle blowing deals with suspected wrong doing on the workplace that causes material harm (internally-criminal offence, monetary loss, compromising health & safety of employees etc) as well as organization reputation loss (externally- money laundering or bribery, violation of laws, direct threat to public interest i.e. membership of banned outfits etc.).

The purpose of FFBL's whistle blowing policy is to achieve the highest possible standards of transparency, honesty, integrity, fairness and accountability by fearlessly participating in the process. This policy is designed to create a healthy culture that is in the greater interest of both employees and the Company.

FFBL's whistle blowing policy provides an internal procedure to resolve work- related issues fairly. The work problems may be related to situations where employee feels that established organizational policies and practices have been violated or have not been consistently applied, or any other matter of serious concern to employees. This policy applies to all categories of employees, management and Board of FFBL and individual or enterprises associated with FFBL by any means.

Raising a Concern

Individuals may raise a concern through various channels including: If the matter is of a compliance nature, the whistle blower may go to his direct supervisor or in extreme case may go to the Head of Department.

If the matter relates to any other issue, whistle blower can contact higher authorities. All whistle blowing disclosures made to the whistle

blowing unit will be treated as confidential.

The whistle blower should make it clear that they are making their disclosure within the terms of the Company's whistle blowing policy. This will ensure that the recipient of the disclosure realizes this and takes the necessary action to investigate the disclosure and to protect the whistle blower's identity.

Methods of Reporting a Concern

- Confidential call
- E-mail
- Regular Mail

Whistle Blowing Unit

The Whistle Blowing Unit will consist of the following:

- Company Secretary
  Chairman
- GMF
  Member
- Head HCM
  Member
- Head Internal Audit
  Member
- Head of respective department / division as and when required

Handling a Concern

1. Each concern received by the whistle blowing unit is to be logged and assigned a code that will be used in a subsequent investigation and reporting of the concern.
2. Initial inquiries / assessments will be made by Head Internal Audit in consultation with other members to determine whether an investigation is appropriate, and the form that it should take. Some trivial concerns may be resolved by agreed action without the need for investigation.
3. An investigation will only be conducted if available information is sufficiently specific and if it contains adequate corroborating evidence to warrant an investigation.
4. The whistle blowing unit in consultation with respective head of division / department shall nominate a person either from within the department and / or from any other department to investigate the concern.
5. A person who is investigating any concern under this policy shall be empowered to seek information from the relevant persons and the concerned departments of the Company shall also cooperate with him.
6. An investigation will be preferably completed within 30 days from lodging the concern.
7. The whistle blowing unit shall acknowledge receipt to the whistle blower within 7 days of receipt of concern, with the indication that the matter will be dealt with as per Company policy.
8. At the end of the investigation, a written report that provides the findings, basis of findings and a conclusion is to be submitted to the CE&MD.
9. Whistle blowing unit should mutually decide about disposal of the concern and disseminate messages across the Company for the avoidance of such incidents in the future.
10. Whistle blowing unit will recommend to CE&MD for further investigation if required. In case of split decision, the case will be referred to CE&MD.
11. Head internal audit will produce a quarterly report documenting all concerns and the actions taken to resolve them for the review of CE&MD.
12. Yearly summary of the concerns raised and their disposal will be reflected in annual report of the Company.
13. Records of all whistle blowing concerns, investigations, and reports will be retained for at least 5 years.

Possible Outcomes After Reporting a Concern

There will be no adverse consequences for anyone who reports a whistle blowing concern in good faith. However, any individual found responsible for making allegations maliciously or in bad faith may be subject to disciplinary action.

Disclosure to External Bodies

Whistle blower unit is not allowed to disclose internal concerns to any of the external bodies unless the concern raised involves legal provisions or disclosure is required by law.

Information Technology Governance Policy

IT department of FFBL provides a variety of services and infrastructure facilities for usage by a range of users. The governance of the IT at FFBL will be principally aligned with this policy.

It is a process of defining and designing IT services in accordance with International Standards at FFBL. International Standards shall lay a foundation for a compliant setup that meets business requirements at FFBL.

The purpose of an Information Technology Governance (ITG) Policy is to define IT Governance scope, role and responsibilities for efficient management, maintenance and upgrade of IT infrastructure. This policy will help in establishing an efficient IT department that provides services to a range of end users. ITG will also guide the IT department in supporting the organization in achieving its strategic goals and objectives through effective provision of IT services.

Information Technology Governance policy applies to IT department of FFBL and all departments and facilities that uses IT services. The IT Manager together with General Manager Finance shall establish and monitor implementation of IT Governance. It is the responsibility of IT Department to guarantee a maintained and updated IT Infrastructure and to assist FFBL in achieving its objectives.

Implementation of the policy is the responsibility of IT Department. For this purpose IT Manager may establish procedures and may designate responsibility to certain staff members.

The end user is obliged to comply with the policy. Major incidents that may cause disruption of critical Information Technology services will be reported to IT manager by IT staff immediately.

FFBL will provide IT Services based on ISO standards (ISO 27001 and ISO 27005 for Information Security and Risk Management), Information Technology Infrastructure Library (ITIL) for services management, ITG principles shall lay down foundation for this compliance by and Delegation of responsibilities.

All employees of IT are accountable for their individual responsibilities. The job descriptions for employees will lay reference to each assigned area of Information Technology functions. Further to this, policies would be created and procedures defined that will lay down foundations for compliance by staff.

Provision of Support Functions

The purpose of IT department at FFBL is to fulfil the technological requirements of FFBL and also to act as a technical support function to the organization.

Authorized Acquisition

The needs and requirements of IT Department for service provisioning are to be fully supported through procedural requisitions. Financial costs and risks associated with the acquisition are evaluated for

Directors' Report

compliance with short term and long-term effects.

Good Performance

Information Technology department is expected to perform in accordance with the needs and requirements of the organization and to provide support to the users.

Regulatory Compliance

Compliance is assured through regulatory implementation and management of strategy, processes, technology and human force. The aim is to assure adherence to laws, regulations, guidelines and specifications relevant to the business. ISO Standards 27001 and 27005 are followed for security control implementation across IT systems at FFBL. Following action will assure regulatory compliance through International standards,

- Risk Assessment: To determine risk and the impact associated with the risk as a result of unauthorized access, disruption, modification, use or destruction of information and information systems. These risks are to be mitigated in order to support FFBL operations and assets.
- Policies and Procedures: Policies and procedures are to be maintained in order to make sure that information systems are able to detect, report and respond to IT related incidents and to ensure operational continuity.
- Information technology and Information security Awareness Trainings: Employees are to be trained in regards to the risks associated with their jobs and organizational IT policies and procedures.
- Testing and evaluations: Effectiveness of policies, procedures, practices and controls are to be tested every second quarter of the year.

Human Factor

The design of infrastructure would be user friendly according to business requirements and needs. The policies, procedures and decision making in the information technology at FFBL shall be in line with the requirements of the users and their evolving needs in the organization.

Investor Grievances Policy

The investor grievance means the complaints or resentments raised by investor against a listed company. The purpose is to provide a process for the effective management and resolution of concerns, disagreements or complaints that may arise between the investor and the company. Secondly, to facilitate an environment where all stakeholders can voice their concerns so that these can be dealt fairly and expeditiously using a transparent and consistent process. It also provides a method of properly addressing concerns raised by investors on any issue. This policy applies to all categories of investors.

The Company Secretariat will address grievances that are in writing and signed by the person making the grievance (hereinafter referred to as the “Complainant”). Complaint can be reported through E-mail and Regular Mail.

Handling a Complaint

1. A designated e-mail ID will be created namely investor.grievances@ffbl.com and the same will be displayed on our website. This E-mail ID would be monitored by Secretariat of the Company on daily basis.
2. Grievances will be actioned and resolved promptly, objectively, with sensitivity and in complete confidentiality.
3. The views of each complainant and respondent are to be respected and no party to a grievance is to be discriminated.
4. All investor grievances will be resolved within time period of 10-30 working days of the receipt of the complaint to the Secretariat.
5. All the Investor Grievances received at the following E-mail ID investor.grievances@ffbl.com will be forwarded to concerned department for inputs on the grievances within 1-3 working days of the receipt of the complaint. The concerned department would give response on the complaint within 10 working days.
6. The grievance handling system would include a systematic follow up process to implement positive steps to prevent valid grievances from recurring; and promote opportunities for improvement.
7. The principles of natural justice would be applied to ensure

fairness and justice for all parties; and a solid basis for arriving at fair, impartial and independent decisions.

8. Regardless of whether a complaint is informally or formally raised, it will be appropriately actioned.
9. Written records of each complaint, investigation and its outcome shall be retained.
10. All the investor grievances would be updated in excel sheet on the same day of the receipt of the complaint.
11. Company Secretariat will ensure that all the information i.e. from the receipt of the complaint till the resolution would be updated in the excel sheet as well in the form of hard copy.

Possible Outcomes

A full explanation for decisions and actions taken as part of the process shall be provided to the complainant and corrective actions agreed to are to be implemented as soon as practical.

Corporate Governance

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

Corporate Governance is of prime importance, made possible by an informed and active Board of Directors, through adoption of a set of processes, customs and policies, to help us direct and control our activities with accountability and integrity. The Board's primary role is to protect and enhance long term shareholders' value. Simultaneously, 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 CE & MD. Following committees have also been constituted which work under the guidance of the Board of Directors:-

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

Best Corporate Practices

FFBL pursues perfection by encouraging adherence to the proficient corporate and ethical practices, as a model corporate citizen. The Board fully adheres 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 (CFO) for approval before publication. Quarterly un-audited financial statements along with Directors' Reviews were published and circulated to the shareholders and regulators within one month. Half yearly financial statements reviewed by the Auditors were circulated within two months of the end of the period.

Duly audited annual financial statements along with consolidated financial statements were approved by the Board within one month after the closing date and shall be presented to the shareholders in the Annual General Meeting on March 26, 2015 for approval.

Directors' Report

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

Code of Conduct

FFBL adheres to the most outstanding 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.

Internal Control System

An internal control system is designed to provide reasonable assurance that the Company fulfills the compliance with policies, plans and laws, efficient use of resources, accomplishment of goals, besides availability and integrity of financial and management information. The internal control system of FFBL is very comprehensive that 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. Instrumental are the morning briefs, both at head office and at plant site that are being applied by the top management to ensure that controls remain adequate and functions properly. In this realm, the

Board of Directors has approved 'The Whistle-blowing Policy' and 'Investor Grievances Policy'.

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 2015 on mutually agreed terms and conditions.

IT Governance and SAP - ERP System

Innovation, Stability and Risk Management - The Basis for Future Competitiveness

Information Technology plays a crucial role in increasing the efficiency of complex business processes, reducing costs and improving revenue growth in a competitive environment. This is not only true for the fertilizer sector, but also for the other industries in which FFBL is planning to operate. Consequently at FFBL IT system solutions combine a comprehensive industry know-how with esoteric IT expertise.

Consistent investment in new innovative solutions and the continuous enhancement of existing solutions secure FFBL's competitive position. The Board of Directors has approved a comprehensive IT Governance Policy which is being abided by.

The IT portfolio comprises of IT Services ranging from internal consultancy, development and implementation of customized applications down to operating its systems that are located in Karachi and Rawalpindi data centers.

New technologies like virtualization and cloud computing are seen thereby as opportunities to consolidate IT environment and at the same time gain the flexibility to adapt IT capacities to new and changing requirements.

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

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

- Recipient of “Best Leadership Award” in ICT and Its management for years 2012 and 2013.

Embracing SAP Operational Excellence at FFBL and Risk Management

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

With the enablement of core business processes in SAP and Lotus, information has become of pivotal importance highlighting the increased dependency on information systems.

While system failure or a significant loss of data could lead to serious business interruptions, virus and hacker attacks similarly could cause systems to malfunction. This could be critical and lead to the loss of business and / or confidential data.

In order to mitigate risks mission-critical IT systems are structured redundant as well as accommodated at separate locations. The ongoing technological innovations and the growing threat of cyber-attacks are latent potential risks for IT systems. With a pro-active IT security management targeting in particular mission-critical IT systems, these residual risks are countered. Requirements for corporate IT security are established within IT Security Policy and Security Guidelines whereby its strict compliance is subject to regular audits. Further potential cyber-attacks are countered by implementing industry grade anti-virus solution, Intrusion Prevention System and firewalls. Over and above a highly efficient data backup system ensures safeguarding of all relevant data.

FFBL SAP Certified Center of Expertise

After being the first organization in Pakistan certified as a SAP Customer Center Of Expertise (CCOE), SAP has officially awarded FFBL with the Bronze Medal of the prestigious ‘SAP Customer Center Of Expertise of the year Award’. The International CCOE Award Ceremony was held on November 19, 2014 in Frankfurt, Germany.

In this international competition FFBL participated in the category of ‘Support Operations’ where the judging panel assessed the operational strength according to Active Global Support (AGS) Best Practices and Application Lifecycle Management. It is worth mentioning that FFBL is the first organisation in

Pakistan to receive the SAP Customer COE of the year award.

Compliance with International Industry Best Practices

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

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

Corporate Social Responsibility

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

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

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

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

- **Social Mobilization**
  A continuous process, for purpose of self reliance three male and three female Village Development Organizations (VDOs) have been formed in the project area. These socially structured groups are formed to deal with social issues and to work collectively to create awareness on issues like improved living conditions, personal hygiene, basic human rights, economic development, basic education and resolution of petty disputes on their own. These social structures also provide facilitation and point of access to the concerned government departments for provision of basic facilities to their area.

- **Basic Health Facilities**
  A community health centre (CHC) has been established in the project area constituting one male and one female medical doctor and necessary para medical staff treating 70 to 80 patients per day. Moreover, a clinical laboratory has also been established to carry out baseline investigations. So far, 72,637 outdoor patients have been treated and 2,176 lab tests have been conducted till December 31, 2014 in CHC.

- **Education**
  An elementary girls school (from grade 6 to 8) was established in rented building in 2011. During 2014 construction of new school building was completed on a purchased plot in the same vicinity along with setup for computer and science lab. The school is now fully functional since November 2014. Presently, 32 local girls are enrolled and five teachers have been employed for the purpose. Gradual enhancement up to 10th grade is planned with particular emphasis on female and adult literacy.

- **Environmental Sustainability**
  Two water filtration plants were installed in 2012 and 2013 which are in service at Goth Natho Khoso & Goth Haji Jungi Khan. During the year one new water filtration plant was established in the project area to provide safe drinking water to the population of the area. Water filtration plant will be operational by the end of first quarter 2015. Installation of another water filtration plant (4th) is also part of the project in the vicinity of Ghaggar Union Council during next one year.

- **Economic Development**
  Young members of the community have been enrolled for various vocational diplomas and short courses through FFBL in the area of cutting, sewing, beautician, computer and mechanical courses. Youth from the project area were sent to various technical / vocational training institutes, namely Vocational Training Centre, Steel Town Karachi, Hunar Foundation Karachi, and Sindh Madrasa Board Institute of Technology, Gadap, Karachi. So far 71 students have been provided technical skills through these institutes. FFBL in collaboration with other organizations is also providing financial assistance to the enrollees.

Directors' Report

Donations

FFBL core values include contribution towards society for development of the country. FFBL has regularly donated for the promotion of education, for basic health facilities for under privileged areas and for national cause (Earthquake, Floods, IDPs etc). This year company has donated Rs 70 million out of which 30 million were given to Institute of Business Administration (IBA), Karachi for infrastructure development projects. Further Company has contributed Rs 27.13 million to the IDPs Relief Fund during the year.

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 revamping projects, which translates into reduction in energy consumption and increase in the production capacities.

As part of our continuous improvement program, we are consistently striving to improve the specific consumption of gas that we use to produce Urea and DAP.

In view of Natural Gas crisis in the country, we 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. In the past, FFBL has undertaken following projects to increase over all plant capacity through efficient utilization of energy.

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

Environmental Protection Measures

FFBL recognizes its responsibility towards protecting, preserving and improving the environment since commissioning of its Ammonia, Urea and 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 forerunner fertilizer industry in the country which opted for environment friendly Phosphate based cooling water treatment program.

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

Few prominent issues regarding environment protection measures by FFBL are as follows:

- Effective monitoring and control of emissions and discharges
- Third party analysis of environmental samples
- Investment in new technologies to improve environmental monitoring
- Emissions monitoring of neighboring industry
- Growing of trees and plants
- Use of cooling water blow down for horticulture

FFBL is very much concerned about its environmental performance with respect to gaseous and liquid effluents as part of moral and legal obligation. Being a member of "Self Monitoring and Reporting Tool" (SMART) program launched by federal "Environmental Protection Agency" (EPA), monthly report of all analysis of gaseous and liquid effluents is submitted to "Sindh Environmental Protection Agency" (SEPA) on regular basis. In addition to this reporting FFBL's laboratory had arranged third party analysis from M/s SGS Lab (a certified laboratory by SEPA) for all gaseous and liquid effluents during the month of October and November 2014.

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

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

FFBL has always taken the lead to provide facilities for monitoring emissions of neighboring industries like Exide Sulphuric Acid plant. This helps these industries to control their emissions to protect the environment.

FFBL has focused on growing of trees and plants inside and outside factory premises to have a positive impact of greenery at factory and surrounding areas. FFBL has successfully converted the barren areas inside and outside its premises into lush green belts. Total trees planted are 7,740. (Fruit trees 2,098, other trees 5,642).

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

Occupational Health and Safety

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

Directors' Report

Plant completed 10 million safe man-hours on July 27, 2014 and 70 months of safe operations on December 31, 2014 since last Loss Time Injury in February 2009. FFBL is a member of National Safety Council, USA, since 2001.

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

Health, Safety and Environment Seminar

FFBL arranged third International HSE Seminar on December 17, 2014. His Excellency President of Pakistan, Mr Mamnoon Hussain graced the occasion as the Chief Guest. Two foreign and eight local speakers gave their presentations. More than 200 attendees including CEOs, Executives and HSE Professionals of various industries and institutions participated in this seminar. Members of the International Fertilizer Association also participated in the seminar. International and local companies presented their papers including Beer & Associates, (Ireland), GPIC (Bahrain), Fauji Fertilizer Company Limited, Engro Fertilizers, EFU Insurance, Commit Safety Management and the host FFBL.

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

Shareholding Pattern

Company shares are quoted on all three Stock Exchanges i.e, Karachi, Lahore and Islamabad. A total of 262.04 million Company shares were traded only on the Karachi Stock Exchange during the year and the free float of shares stood at 31.39%. The market capitalization of the Company stock was recorded at Rs 42.23 billion at the close of 2014. FFBL shares were subject to a wide range of trading from a high of Rs 46.33 per share to a low of Rs 37.20 per share, closing the year at Rs 45.21 per share.

There were 14,114 shareholders of the Company's equity at the close of 2014. About 84.41% of total shares outstanding were closely held by the sponsors, investment companies, financial institutions and other corporate bodies. About 1.01 % shares were kept by the foreign shareholders.

Issues Raised in the Last AGM, Decisions Taken and their Implementation

The clarifications against issues have been given by the management as under:-

Gas Curtailment

The management is making efforts to find additional avenues for gas to increase the production. The Company is the sole producer of DAP which meets approximately 50% demand of the Country and is not fully dependent on gas, therefore, Company is focusing on the production of DAP which will also help in utilization of phosphoric acid exported from PMP, Morocco and will have positive impact in terms of profitability.

Payback period from the Investments

- Dividend from Askari Bank is expected in this year i.e, 2014.
- Commercial production of Foundation Wind Energy Power Plants is expected in July and November thus payback from these projects is also expected next year.
- Fauji Meat Limited and Fauji Foods Limited operations are expected to begin within three to four years however, the Meat Project is in its tendering process and production will start within 15 to 18 months. Moreover, the land for the Dairy Project is finalized and negotiations are in progress with reputed company from the Middle East to market our products.

Increase in Transportation Cost

Various factors combined together resulted in increase in transportation costs i.e, DAP production increased almost 100 thousand tonnes as compared to corresponding year, increase in fuel costs and imposition of axel load tax by highway authority.

Less Investment in Mutual Fund

As per diversification strategy, the Company has committed various projects of long term investment nature resultantly less investment was made in mutual funds, which is short term investment.

Management of DAP Production

Despite the shortages in gas we had been able to manage DAP production at greater part as compared to budgeted by adopting following remedial measures:-

- Plant was run at high load.
- Routine maintenance time of plant was decreased in order to make the plant available for longer time for production.
- Optimum utilization of gas in DAP instead of Urea plant resultantly low Urea production as compared to prior year.

Disinvestment in Askari Bank

The bank has good potential to go upward therefore, any proposal of withdrawal of investment from Askari Bank does not appear to be a viable option. Hopefully bank will be able to declare dividend in this year which will eventually increase our profits.

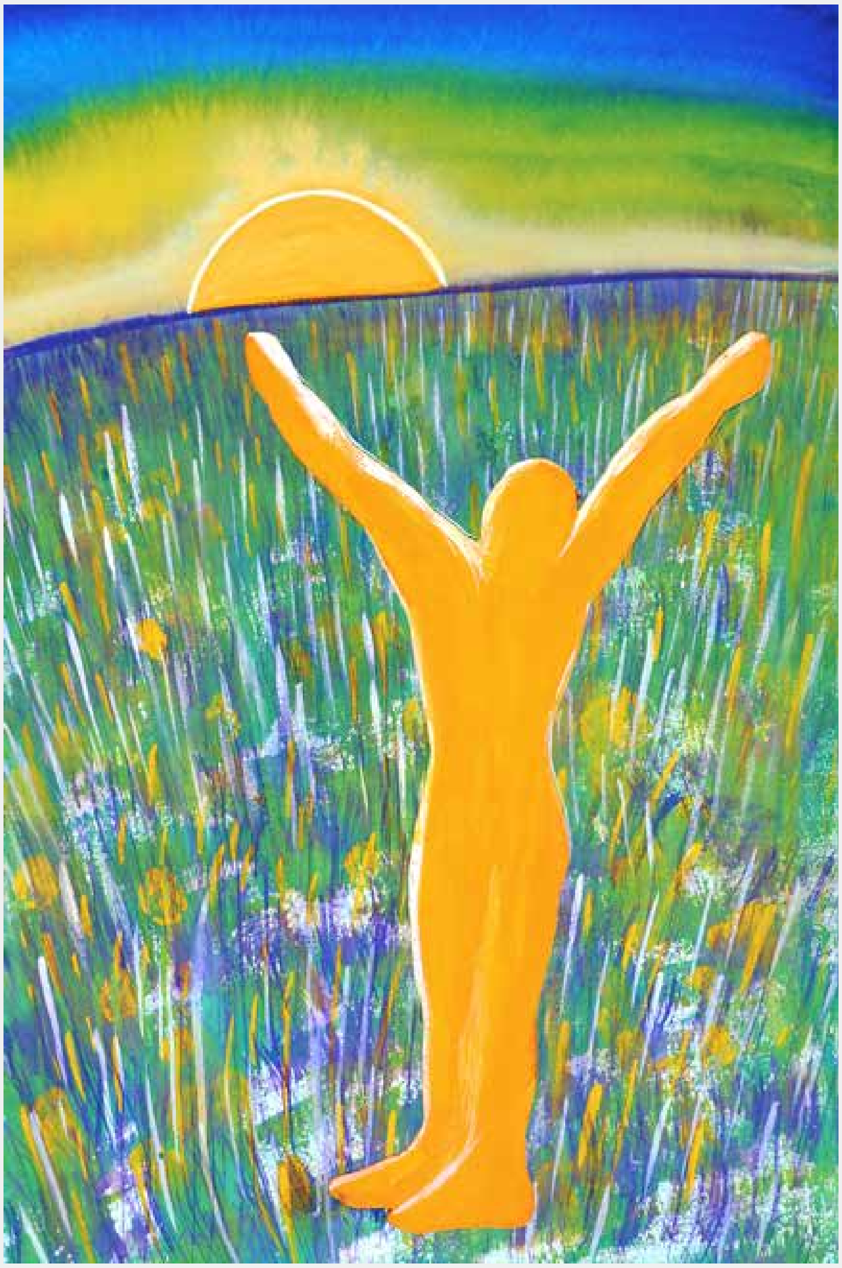
Awards and Recognitions

Top 25 Companies Award

FFBL joined the elitist club at the Karachi Stock Exchange (KSE) for the fifth consecutive year and secured 5th position for the year 2013, 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 number of listed companies stands close to 580 at present.

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

Directors' Report



Best Corporate Report Award

The Company achieved third position in Chemical and Fertilizer Sector awarded by the Joint Committee of Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) on September 19, 2014.

CSR Awards

FFBL has received '4th Corporate Social Responsibility (CSR) Award 2015 in the category of 'Social Mobilization' from National Forum for Environment & Health. Award was presented to the Company during 7th International Summit on CSR held at Islamabad on January 16, 2015. The Company has received CSR award for the fourth consecutive year.

FFBL achieved another distinction in "Corporate Social Responsibility Awards" in 2015 presented during 4th Summit on February 12, 2015 in Karachi in the category of Corporate Community Partnership.

It is worth mentioning that it is the first time, FFBL has achieved 02 consecutive awards in field of CSR in a single year and in the two different categories.

Certificate of Excellence

FFBL received Certificate of Excellence in the category of Corporate Community Partnership for a remarkable efforts in CSR activities in Pakistan during fourth Corporate Social Responsibility Summit.

Bronze Medal from SAP

After being the first organization in Pakistan certified as a SAP Customer Center of Expertise (CCOE), SAP has officially awarded FFBL with the Bronze Medal of the prestigious 'SAP Customer Center of Expertise of the year award'. The International CCOE Award Ceremony was held on the November 19, 2014 in Frankfurt, Germany. FFBL was the first Company in Pakistan to gain the SAP Customer COE of the year award.

Human Capital Development

At FFBL, our underlying Human Resource philosophy is to recognize people as assets (human capital) whose contributions can be measured and potential can be enhanced through support and investment. Human Capital Management (HCM) Division links individual performance with overall strategic vision and direction of the Company.

FFBL's business diversification over the last couple of years has led to new business ventures like FFBL Power Company Limited, Fauji Meat Limited and Fauji Foods Limited. The initiation of these projects resulted in HCM Division's strategic and operational input in matters related to the organizational structuring of the projects, compensation and benefits structuring, policies formulation and above all choosing the right talent for these projects.

HCM is focused in providing employees with clearly defined and consistently communicated performance expectations, aligned with the overall Company strategy. The Division plans to review and roll-out a more effective performance management system.

A study was carried out by FFBL to review the HCM Company Policies in collaboration with M/S Deloitte Consultants to ensure compliance with the provisions of Code of Corporate Governance, Companies Ordinance, relevant Labor Laws of Pakistan and best business practices.

The same were ratified by the Board of Directors of FFBL.

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

At FFBL, opportunities are provided for focused training and participation in development programs across the board for enhancing technical and managerial expertise of the Human Capital.

Employees Retirement Benefits

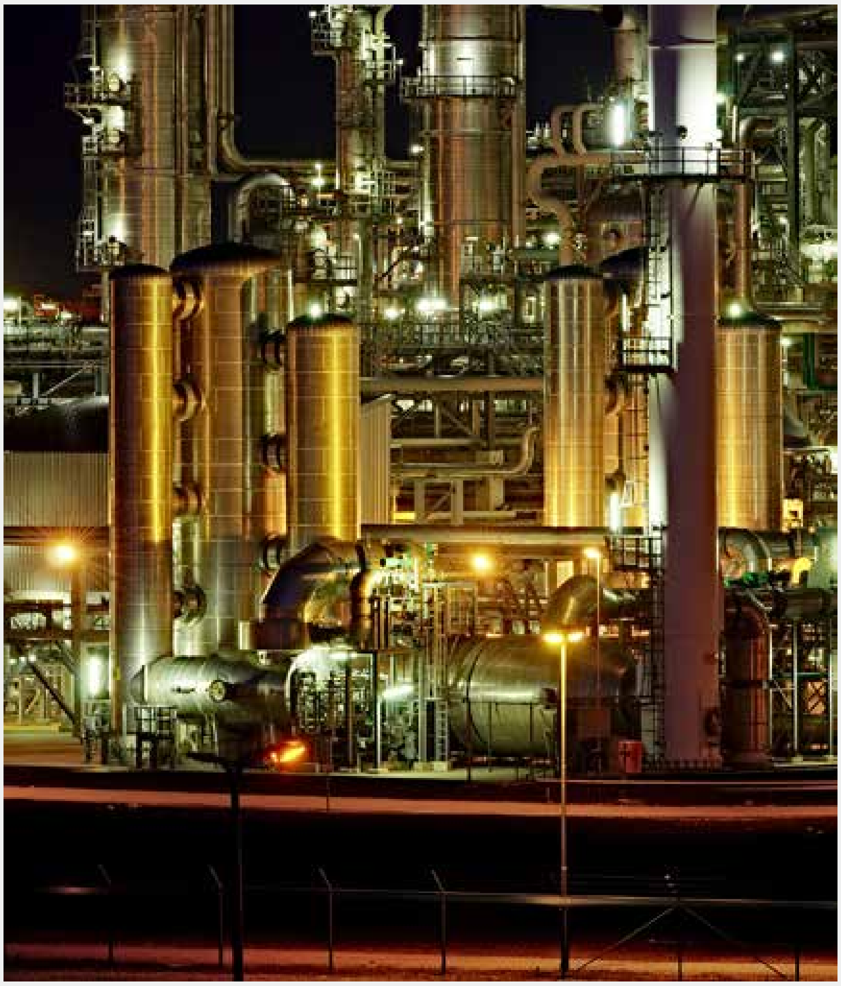
Value of investments of Provident and Gratuity Funds as on 31 Dec 2014 (un-audited) is as under:-

	2014	2013
	Rs (million)	
• Provident Fund	1,148	999
• Employees Gratuity Fund	564	468

Stakeholders' Engagement

FFBL stakeholders include the investment community, employees, contractors, national, regional and local governments, regulators, communities associated with our operations, business and jointly controlled entities, 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, PMP has performed significantly well with respect to its operational and financial aspects. Major achievements during the year include:

- Ever highest Sulphuric Acid monthly production record in July 2014 by producing 119,120 tonnes. This is ~ 116 % of the design.
- Ever highest Phosphoric Acid monthly production record in August 2014 by producing 39,555 tonnes. This is ~ 116 % of the design.
- Ever highest yearly production of Sulphuric Acid by achieving 1,238,460 tonnes (110 % of design).
- Ever highest yearly production of Phosphoric Acid by achieving 403,300 tonnes (107.5 % of design).
- Ever highest yearly sales 409,480 tonnes of Phosphoric Acid.

The safety performance of the Company also remained compliant and the Company has achieved 3.4 million safe man hours since 2009.

During the year 2014 financial health of the Company showed improving trend and PMP gained a profit of 29 million MAD till third quarter ending September 30, 2014 versus a loss of 85 million MAD by third quarter in year 2013. The profit in 2014 is mainly contributed by:

- Higher production and sales in international market
- Exchange gain
- Higher sales price of Phosphoric Acid
- Successful implementation of slurry project at a cost of 14. 5 million US$.

In order to sustain and maximize profitability which is achieved by selling acid in the International market, PMP has launched a project to revamp sulphuric acid plant to 125 % of the design. The additional sulphuric acid thus produced will be used to produce additional Phosphoric Acid (approx. 15%) by utilizing available margins in existing Phosphoric Acid plant. PMP Board has accorded approval to proceed for conceptual and basic engineering study, order for which was placed on 08-Dec-2014. The Conceptual Study report is expected in February 2015.

Performance is expected to increase further in 2015 and hence should impact positively on the financial performance of PMP, in future.

Long Term Value

Wind Power Projects

Following shareholders approval in the 16th Annual General Meeting, the Company paid Rs 2,347 million

towards two wind power plants, Foundation Wind Energy- I Limited (FWE-I) (formerly Beacon Energy Limited) and Foundation Wind Energy-II (Private) Limited (FWE-II) (formerly Green Power (Private) Limited) of 49.5 MW each. Total estimated cost of each project is US$ 135 million. The projects have a "Debt to Equity" ratio of 75:25. The Company holds 35% shareholding in each project.

FWE- II achieved Commercial Operational Date (COD) on 10th December 2014 and is operating satisfactorily.

Currently, pre-commissioning tests of FWE- I have been carried out after which a Reliability Run Test will be made by NTDC. The project is expected to achieve Commercial Operational Date (COD) by March, 2015.

Askari Bank Limited

As part of investment diversification, FFBL invested in Askari Bank Limited (AKBL) in 2013 and acquired 271,884 thousand shares representing 21.57% holding. The new management of AKBL initiated a major realignment of strategy and business process re-engineering and is in the process of implementing state of the art IT core banking system to improve its operational efficiency. The Company received its first dividend income from AKBL in 2014. The investment offers a unique opportunity for Fauji Group to create an annuity business of immense profit which will enhance the returns to shareholders in the long run.

Fauji Meat Limited

With a vision to be the leading local and international Halal Meat processing company, Fauji Meat Limited (FML) was incorporated in 2013 as a public limited company. FML is setting up a state-of-the-art Halal abattoir and meat processing facility near Port Bin Qasim Karachi, Pakistan with an estimated project cost of US$ 60 million. The facility is spread over 47 acres of land including the plant and 3 day animal holding area. Daily production capacity of the plant is 100 tons/day of Meat (85 tons of Beef and 15 tons of Mutton) in both Frozen and Chilled categories for worldwide export. The plant is designed to meet the objectives of processing high quality meat (Cattle, Buffalo, Sheep and Goat), value added products, by-products. FML will be the only meat processing Company in the country which offers Rendered products including Bone/meat meal, Blood meal and Tallow conforming to International Quality Standards.

Understanding the importance of quality in this business and following traditions of 'Fauji Group', FML acquired the services of expert international consultants for plant design and construction. Equipment has been procured from the top European, American and Gulf equipment manufacturers.

Fauji Foods Limited

The Company is also advancing on its course of branching out into the dairy business which offers another area where the investment will bring good returns. Due diligence for acquisition of shares in Noon Pakistan is being carried out.

FFBL Power Company Limited

The management of the Company fully perceives the depleting nature of the energy resources in the country and has continuously been working to find ways to utilize the scarce resources in the most expedient way. A separate entity by the name of FFBL Power Company Limited has been incorporated to overcome the energy crises in future by installing Coal Power Plant (CPP) project with power generation capacity of 118 MW within FFBL fertilizer complex as a substitute of natural gas fuel based system. The power generated will be used for existing fertilizer complex as well as for export to K-Electric. This new CPP project is planned to come on line by first quarter of 2017.

Business Challenges and Future Outlook

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

The Company has managed to achieve adequate profits in the year 2014; however year 2015 would be another challenging year due to persistent gas curtailment, implementation of various investment and diversification projects. Despite all challenges FFBL is committed to perform and deliver best possible result under very challenging business and political environment. We shall continue to meet our strategic objective, long term goals and contribute towards country's revitalization.

Board's Evaluation

Pursuant to Code of Corporate Governance 2012, the Board of Directors approved a comprehensive mechanism for evaluation of Board's own performance. To meet the requirement, the Company introduced a comprehensive confidential questionnaire covering board's composition / scope, its objectives / functions, company's performance and monitoring etc. The Board evaluated all the factors in depth and based on inputs received from the Directors all the aspects were found within the acceptable limit. Board performance evaluation was carried out for the first time by the Company, which reflects compliance to the Code in letter and spirit.

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 milestones of the Company.

The primary purpose of CEO's evaluation is to bring the CEO and Board together to discuss how their performance and priorities contribute towards the growth of the Company. CEO's performance is based on the following checklist:

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

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's performance, the Board provides constructive and honest feed back in a supportive manner to protect and strengthen the integrity of the role of CEO.

Role of Chairman

Leads the Board of Directors, represents the Group and acts as the overall custodian of the Group on behalf of the Board and the stakeholders. He is responsible for ensuring the Board's effectiveness. He empowers the Board as a whole to play a full and constructive part in the development and determination of the Company's strategy and overall objectives. The Chairman makes sure that the development of the Group's businesses and the protection of the reputation of the Company and its subsidiaries receives sufficient attention from the Board.

Role of CE&MD

The CE&MD is responsible for leading the execution of Company's long term strategy with a view to creating shareholder value. The leadership role also entails being ultimately responsible for all day-to-day management decisions and for implementing the Company's long and short term plans. The CE&MD acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management. He also communicates on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public.

Typically, the CE&MD acts as a director, decision maker, leader, manager and executor. The communicator role involves interaction with the outside world, as well as the organization's management and employees; the decision-making role involves high-level decisions about policy and strategy. As a leader of the company, the CE&MD, motivates employees, and drives change within the organization.

Board of Directors

The Board exercises the powers conferred to it by the Code of Corporate Governance, the Companies Ordinance, 1984 and the Memorandum and Articles of Association of the Company, through Board meetings, which are held in every quarter for reviewing and approving the adoption of Company's financial statements, coupled with review and adoption of Business plan. During the year, five meetings of Board of Directors were held with the attendance as under:-

Directors' Report

Name	Attendance	Remarks
Lt Gen Muhammad Mustafa Khan (Retd)	5	
Lt Gen Muhammad Haroon Aslam (Retd)	4	Joined 26 Feb 2014
Lt Gen Muhammad Zaki (Retd)	1	Resigned 25 Feb 2014
Lt Gen Naeem Khalid Lodhi (Retd)	4	
Mr Qaiser Javed	5	
Dr Nadeem Inayat	5	
Maj Gen Ghulam Haider (Retd)	1	Resigned 24 Mar 2014
Brig Parvez Sarwar Khan (Retd)	2	Resigned 01 Jun 2014
Brig Dr Gulfam Alam Khan (Retd)	2	Resigned 01 Jun 2014
Brig Muhammad Saeed Khan (Retd)	5	
Mr Naved A. Khan	4	
Mr Nasier A. Sheikh	5	
Dr Rashid Bajwa	5	
Maj Gen Syed Jamal Shahid (Retd)	4	Joined 25 Mar 2014
Maj Gen Nasir Mahmood (Retd)	3	Joined 02 Jun 2014
Maj Gen Muhammad Farooq Iqbal (Retd)	3	Joined 02 Jun 2014

Board Committees

Audit Committee

Terms of Reference

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

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

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

	Attendance
Mr Nasier A. Sheikh	5
Mr Qaiser Javed	5
Dr Nadeem Inayat	3
Maj Gen Nasir Mahmood (Retd)	3
Maj Gen Muhammad Farooq Iqbal (Retd)	3
Brig Parvez Sarwar Khan (Retd)	2
Brig Dr Gulfam Alam (Retd)	1

Technical Committee

Terms of Reference

This Committee comprises of 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, five meetings of the Technical Committee were held, attendance by the members was as follows:-

	Attendance
Maj Gen Ghulam Haider (Retd)	1
Dr Nadeem Inayat	3
Maj Gen Syed Jamal Shahid (Retd)	4
Maj Gen Nasir Mahmood (Retd)	1
Maj Gen Muhammad Farooq Iqbal (Retd)	1
Brig Dr Gulfam Alam (Retd)	2
Brig Parvez Sarwar Khan (Retd)	2
Dr Rashid Bajwa	4
Brig Muhammad Saeed Khan (Retd)	2
Mr Nasier A. Sheikh	1

Human Resource and Remuneration Committee

Terms of Reference

Human Resource Committee was renamed as Human Resource and Remuneration (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, four meetings of the Committee were held, attendance by the members was as follows:-

	Attendance
Dr Nadeem Inayat	4
Maj Gen Nasir Mahmood (Retd)	2
Maj Gen Muhammad Farooq Iqbal (Retd)	2
Brig Parvez Sarwar Khan (Retd)	2
Brig Dr Gulfam Alam (Retd)	2
Brig Muhammad Saeed Khan (Retd)	3
Mr Naved A. Khan	2

Head Office Building Project Committee

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

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

	Attendance
Maj Gen Nasir Mahmood (Retd)	1
Brig Dr Gulfam Alam (Retd)	1
Brig Muhammad Saeed Khan (Retd)	2
Mr Naved A. Khan	1
Mr Nasier A. Sheikh	2

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 pleased to state that:

- The financial statement, 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 statement 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 statement and any departure there from has been adequately disclose
- 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 9 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 in attainment of good performance. The Board also wishes to recognize the extraordinary contribution of our customers, suppliers, bankers, SSGCL and Government of Pakistan in achieving Company's success and looks forward to their continued assistance in the future as well.

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

For and on behalf of the Board

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

Financial Statements
for the year ended December 31, 2014

Statement of Compliance
with Code of Corporate Governance
For the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulation 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 Khalid Nawaz Khan, HI(M), (Retd) Lt Gen Naeem Khalid Lodhi, HI(M), (Retd) Mr Qaiser Javed Dr. Nadeem Inayat Maj Gen Syed Jamal Shahid, HI(M) (Retd) Maj Gen Muhammad Farooq Iqbal, HI(M) (Retd) Maj Gen Nasir Mahmood, HI(M) (Retd) Brig Muhammad Saeed Khan (Retd)
Executive Director(s)	Lt Gen Muhammad Haroon Aslam, HI(M), S.Bt (Retd)
Independent Directors	Mr Naved A. Khan Mr Nasier A. Sheikh Dr Rashid Bajwa

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

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

4. Four casual vacancies occurring on the Board on 25 Feb 2014, 24 Mar 2014, 23 May 2014 and 23 May 2014 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 carried out performance evaluation on the basis of a comprehensive mechanism.

7. 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.

8. 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 CE & MD and non-executive Directors have been taken by the Board / shareholders.

9. 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.

10. The Board arranged appropriate training programs for its directors during the year.

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

12. 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.

13. The financial statements of the Company were duly endorsed by CE & MD and CFO before approval of the Board.

14. The Directors, CE & MD and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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

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

17. 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.

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

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

20. 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.

21. 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.

22. 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.

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

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

Lt Gen Muhammad Haroon Aslam,
HI(M), S.Bt (Retd)

Chief Executive & Managing Director

Rawalpindi
January 29, 2015

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Fauji Fertilizer Bin Qasim Limited (the Company) for the year ended 31 December 2014 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange Limited, Listing Regulation No. 35 of Lahore Stock Exchange Limited and Chapter XI of the Listing Regulations of Islamabad Stock Exchange Limited, where the Company is listed.

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

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

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

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

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

Islamabad
January 29, 2015

Auditors' Report to the Members

We have audited the annexed balance sheet of Fauji Fertilizer Bin Qasim Limited ("the Company") as at December 31, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well 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 approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2014 and of the profit, its cash flows and changes in equity for the year then ended; and

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

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

Islamabad
January 29, 2015

Balance Sheet
as at December 31, 2014

	Note	2014	2013
		(Rupees '000)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	4	9,341,100	9,341,100
Capital reserve	5	228,350	228,350
Accumulated profit		3,502,187	3,273,456
		13,071,637	12,842,906
NON-CURRENT LIABILITIES			
Long term loans	6	10,000,000	–
Deferred Government assistance	7	–	584,119
Deferred liabilities	8	3,276,805	3,457,671
		13,276,805	4,041,790
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	9	13,860,083	8,380,950
Mark - up accrued	10	233,141	236,052
Short term borrowings	11	3,087,407	7,985,128
Current portion of deferred Government assistance	7	1,944,600	2,008,682
Provision for income tax - net		775,158	724,467
		19,900,389	19,335,279
		46,248,831	36,219,975
CONTINGENCIES AND COMMITMENTS	12		

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

	Note	2014	2013
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	12,202,673	13,059,509
Long term investments	14	12,130,788	8,921,985
Long term deposits		78,643	78,643
		24,412,104	22,060,137
CURRENT ASSETS			
Stores and spares	15	2,337,205	2,107,493
Stock in trade	16	1,557,296	1,129,257
Trade debts	17	1,466,063	1,603,643
Advances	18	880,687	572,966
Trade deposits and short term prepayments	19	28,097	29,877
Interest accrued		17,633	19,729
Other receivables	20	514,226	705,513
Sales tax refundable		760,734	190,691
Short term investments	21	9,230,117	5,323,136
Cash and bank balances	22	5,044,669	2,477,533
		21,836,727	14,159,838
		46,248,831	36,219,975

CHAIRMAN　　CHIEF EXECUTIVE　　DIRECTOR

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

	Note	2014	2013
		(Rupees '000)	
Sales - net	23	49,445,256	54,455,168
Cost of sales	24	(38,353,303)	(39,942,664)
GROSS PROFIT		11,091,953	14,512,504
Selling and distribution expenses	25	(3,314,074)	(3,452,539)
Administrative expenses	26	(1,317,635)	(1,048,037)
		6,460,244	10,011,928
Finance cost	27	(1,312,944)	(1,514,931)
Other operating expenses	28	(429,820)	(638,559)
		4,717,480	7,858,438
Other income	29	1,062,774	680,868
PROFIT BEFORE TAXATION		5,780,254	8,539,306
Taxation	30	(1,763,928)	(2,741,285)
PROFIT AFTER TAXATION		4,016,326	5,798,021
Earnings per share - basic and diluted (Rupees)	31	4.30	6.21

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

CHAIRMAN | CHIEF EXECUTIVE | DIRECTOR

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

	Note	2014	2013
		(Rupees '000)	
Profit after taxation		4,016,326	5,798,021
Other comprehensive income			
Actuarial losses	9.2.5	(51,155)	(39,275)
Total comprehensive income		3,965,171	5,758,746

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

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

Cash Flow Statement
for the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	12,211,576	14,458,830
Finance cost paid		(1,299,329)	(1,183,287)
Taxes paid		(1,929,904)	(2,852,600)
Payment to Gratuity Fund		(95,228)	(42,596)
Compensated absences paid		(40,697)	(23,551)
Payment to Workers' (Profit) Participation Fund		(339,807)	(417,042)
Net cash generated from operating activities		8,506,611	9,939,754
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(530,995)	(619,069)
Long term investments		(3,208,803)	(6,194,201)
Proceeds from sale of property, plant and equipment		18,796	17,716
Long term deposits		–	(2,331)
Dividend received from associates		300,009	23,438
Short term investments		(3,236,902)	(3,892,175)
Profit received on bank balances and term deposits		246,655	421,109
Net cash used in investing activities		(6,411,240)	(10,245,513)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		10,000,000	–
Deferred Government assistance		(648,201)	(648,201)
Short term borrowings - net		(5,600,000)	3,755,000
Dividend paid		(3,752,313)	(4,475,942)
Net cash used in financing activities		(514)	(1,369,143)
Net increase / (decrease) in cash and cash equivalents		2,094,857	(1,674,902)
Cash and cash equivalents at beginning of the year		3,042,405	4,717,307
Cash and cash equivalents at end of the year		5,137,262	3,042,405
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	5,044,669	2,477,533
- Short term highly liquid investments	21	1,430,000	1,200,000
- Short term running finance		(1,337,407)	(635,128)
		5,137,262	3,042,405

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

CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR

Statement of Changes in Equity

for the year ended December 31, 2014

	Share capital	Capital reserve	Accumulated profit	Total
		(Rupees '000)		
Balance as at January 01, 2013	9,341,100	228,350	2,185,261	11,754,711
Total comprehensive income				
Profit for the year after taxation	–	–	5,798,021	5,798,021
Other comprehensive income for the year	–	–	(39,275)	(39,275)
Total comprehensive income for the year	–	–	5,758,746	5,758,746
Transactions with owners, recorded directly in equity				
Distributions to owners				
Final dividend 2012 (Rs. 2.25 per ordinary share)	–	–	(2,101,748)	(2,101,748)
First interim dividend 2013 (Rs. 1.75 per ordinary share)	–	–	(1,634,693)	(1,634,693)
Second interim dividend 2013 (Re. 1.00 per ordinary share)	–	–	(934,110)	(934,110)
Total transactions with owners	–	–	(4,670,551)	(4,670,551)
Balance as at December 31, 2013	9,341,100	228,350	3,273,456	12,842,906
Balance as at January 01, 2014	9,341,100	228,350	3,273,456	12,842,906
Total comprehensive income				
Profit for the year after taxation	–	–	4,016,326	4,016,326
Other comprehensive income for the year	–	–	(51,155)	(51,155)
Total comprehensive income for the year	–	–	3,965,171	3,965,171
Transactions with owners, recorded directly in equity				
Distributions to owners				
Final dividend 2013 (Rs. 2.25 per ordinary share)	–	–	(2,101,747)	(2,101,747)
First interim dividend 2014 (Re. 1.00 per ordinary share)	–	–	(934,110)	(934,110)
Second interim dividend 2014 (Re. 0.75 per ordinary share)	–	–	(700,583)	(700,583)
Total transactions with owners	–	–	(3,736,440)	(3,736,440)
Balance as at December 31, 2014	9,341,100	228,350	3,502,187	13,071,637

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

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

Notes to the Financial Statements
for the year ended December 31, 2014

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 01, 2000.

2. BASIS OF PREPARATION

2.1 Separate financial statements

These financial statements are the separate financial statements of the Company in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Consolidated financial statements of the Company are prepared separately.

Consequent to preparation of consolidated financial statements by consolidating its subsidiaries Fauji Meat Limited, Fauji Foods Limited and FFBL Power Company Limited, the Company has prepared its separate financial statements for the first time for the year ended December 31, 2014 and also presented corresponding figures for the year ended December 31, 2013. This has resulted in all equity accounted investments to be carried at cost.

Prior to the year ended December 31, 2014, the Company in its individual financial statements accounted for its investments in associates and jointly controlled entity using the equity method of accounting. Consequent to the preparation of separate financial statements as mentioned above, the Company now accounts for those investments at cost as more fully explained in note 3.5

The results of the Company based on investments in associates and jointly controlled entity accounted for under the equity method are reflected in the consolidated financial statements of the Company.

2.2 Statement of compliance

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

2.3 Basis of measurement

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

2.4 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.

Notes to the Financial Statements
for the year ended December 31, 2014

2.5 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.

2.5.1 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.

2.5.2 Property, plant and equipment

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

2.5.3 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.

2.5.4 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.

2.5.5 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.

2.5.6 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.

Notes to the Financial Statements
for the year ended December 31, 2014

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 9.2. Amount determined by the actuary as charge for the year is included in profit and loss account for the year.

Compensated absences

The Company grants compensated absences to all its employees in accordance with the rules of the Company. Under this unfunded scheme, regular employees are entitled maximum 30 days privilege leave for each completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 120 days which are encashable at the time of separation from service on the basis of last drawn gross salary. Provisions are made in accordance with the actuarial recommendation. Actuarial valuation is carried out using the Projected Unit Credit Method in respect of provision for compensated absences.

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

Notes to the Financial Statements
for the year ended December 31, 2014

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 Property, plant & equipment and Intangibles

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 allowances 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 lives are amortized over the period of their useful lives. Amortization is charged on a straight line basis over the estimated useful life and is included in the profit and loss account.

3.4 Borrowing costs

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

Notes to the Financial Statements
for the year ended December 31, 2014

3.5 Investments

3.5.1 Investments in subsidiaries

Subsidiaries are those enterprises in which the Company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors.

Investments in subsidiaries are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

3.5.2 Investments in associates and jointly controlled entities

Associates are those entities in which the company has significant influence, but not control over the financial and operating policies. Jointly controlled entities are those entities over whose activities the company has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investments recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed if there is a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit and loss account.

3.5.3 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.

3.5.4 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.

3.5.5 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.

Notes to the Financial Statements
for the year ended December 31, 2014

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

3.6 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.

3.7 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.

3.8 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 expenses manufacturing

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.

3.9 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.

3.10 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 finances.

3.11 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.

3.12 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.

3.13 Dividends

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

3.14 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.

3.15 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 accrual basis.

3.16 Basis of allocation of common expenses

The Fauji Fertilizer Company Limited 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.

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3.17 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.

3.18 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.

3.19 New accounting standards and IFRIC interpretations

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January, 2015:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 01 July, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 01 January, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 01 January, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 01 January 2016. The management has not completed its assessment of any potential impact of IFRS 10.

Notes to the Financial Statements
for the year ended December 31, 2014

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 01 January, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 01 January, 2016. The adoption of this standard is not like to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 01 January, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not like to have an impact on Company's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 01 January, 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 01 January, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The management is evaluating the option of equity accounting in the seperate financial statements as allowed under amendments to IAS 27.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 January, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 01 January, 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 01 July, 2014). The new cycle of improvements contain amendments to the following standards. These are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Notes to the Financial Statements
for the year ended December 31, 2014

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

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

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

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

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 01 January, 2016). The new cycle of improvements contain amendments to the following standards. These are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

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

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

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

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

Notes to the Financial Statements
for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
4.	**SHARE CAPITAL**			
4.1	**ISSUED, SUBSCRIBED AND PAID - UP CAPITAL**			
	934,110,000 Ordinary shares of Rs. 10 each issued for cash		9,341,100	9,341,100

4.2 Fauji Fertilizer Company Limited and Fauji Foundation held 465,891,896 and 170,842,386 (2013: 475,232,996 and 161,501,286) ordinary shares respectively of the Company at the year end.

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

5. CAPITAL RESERVE

Rs. 228,350 thousand represents share premium of Rs. 5 per share received on public issue of 45,670 thousand ordinary shares in 1996.

		Note	2014	2013
			(Rupees '000)	
6	**LONG TERM LOANS**			
	Loans from banking companies - secured	6.1	10,000,000	–
			10,000,000	–
6.1	**LOANS FROM BANKING COMPANIES - SECURED**			
	MCB Bank Limited		3,000,000	–
	Allied Bank Limited		3,500,000	–
	Bank Al-Falah Limited		1,000,000	–
	Bank Al-Habib Limited		1,000,000	–
	Meezan Bank Limited		1,500,000	–
			10,000,000	–

Terms and Conditions of these loans are as follows:

Lenders	Mark-up Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
MCB Bank Limited	3 Month KIBOR + 0.50	12 quarterly	November 2016	September 2019
Allied Bank Limited	3 Month KIBOR + 0.50	12 quarterly	December 2016	September 2019
Bank Al-Falah Limited	6 Month KIBOR + 0.50	6 half yearly	March 2017	September 2019
Bank Al-Habib Limited	3 Month KIBOR + 0.50	12 quarterly	December 2016	August 2019
Meezan Bank Limited	3 Month KIBOR + 0.15	1 at maturity	March 2016	March 2016

The Company has long term loan facilities aggregating to Rs. 10,000,000 thousand (2013: Rs. Nil). These are secured against ranking charge over current and fixed assets of the Company and carry mark-up ranging between 10.34% to 10.68% per annum (2013: Nil).

Notes to the Financial Statements
for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
7.	**DEFERRED GOVERNMENT ASSISTANCE - UNSECURED**			
	Government of Pakistan (GoP) loan	7.1	1,925,179	2,514,867
	Less: Current portion shown under current liabilities		1,944,600	2,008,682
			(19,421)	506,185
	Deferred Government assistance	7.1	19,421	77,934
			–	584,119

7.1 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 amortised to fully offset the financial charge on the loan at an imputed rate of 7%. The amount amortised and offset against financial charges during the year amounted to Rs. 58,513 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 M/s A. F. Ferguson & Co 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, three ECA have released the guarantee of HBL and have returned the original documents.

Since one ECA has yet to release HBL from its responsibility as guarantor therefore, charge related to portion of the said guarantee on assets of the Company has not been vacated up to December 31, 2014. The Company is making efforts in getting this guarantee released.

		Note	2014	2013
			(Rupees '000)	
8.	**DEFERRED LIABILITIES**			
	Compensated leave absences	8.1	393,853	358,052
	Deferred tax	8.2	2,882,952	3,099,619
			3,276,805	3,457,671

Notes to the Financial Statements
for the year ended December 31, 2014

		2014	2013
		(Rupees '000)	
8.1	**Compensated leave absences**		
	The movement in the present value of compensated absences is as follows:		
	Opening liability	358,052	227,369
	Expense for the year	76,498	99,260
	Past service cost	–	54,974
	Benefits paid during the year	(40,697)	(23,551)
	Closing liability	393,853	358,052

	2014	2013
The main assumptions used for actuarial valuation are as follows:		
Discount rate - per annum	13.50%	11.50%
Expected rate of increase in salaries - per annum	13.50%	11.50%
Leave accumulation factor - days	10	10
Mortality table	SLIC-2001-2005	SLIC-2001-2005
Withdrawal factor	Low	Low

		Note	2014	2013
			(Rupees '000)	
8.2	**The balance of deferred tax is in respect of the following major taxable temporary differences:**			
	Accelerated depreciation		2,940,894	3,155,906
	Provision for inventory obsolescence		(57,942)	(56,287)
		8.2.1	2,882,952	3,099,619
8.2.1	**The movement of deferred tax during the current year is as follows:**			
	Opening balance		3,099,619	3,446,806
	Reversal for the year		(216,667)	(347,187)
	Closing balance		2,882,952	3,099,619
9.	**TRADE AND OTHER PAYABLES**			
	Creditors		8,383,469	4,409,906
	Accrued liabilities		1,907,306	1,741,215
	Advances from customers		1,698,215	527,137
	Workers' (Profit) Participation Fund - unsecured	9.1	29,743	58,802
	Payable to Gratuity Fund - unsecured	9.2.1	198,228	173,653
	Workers' Welfare Fund		1,066,331	948,917
	Unclaimed dividend		287,278	303,149
	Withholding tax payable		–	9,087
	Other payables		289,513	209,084
			13,860,083	8,380,950

Notes to the Financial Statements
for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
9.1	**Workers' (Profit) Participation Fund (WPPF)**			
	Balance at beginning of the year		58,802	16,824
	Interest on funds utilised in the Company's business		345	218
	Allocation for the year	28	310,403	458,802
			369,550	475,844
	Payment made during the year		(339,807)	(417,042)
			29,743	58,802

9.2 Gratuity Fund

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

		2014	2013
		(Rupees '000)	
9.2.1	**The amount recognised in the balance sheet is as follows:**		
	Present value of defined benefit obligation	574,512	466,617
	Fair value of plan assets	(376,284)	(292,964)
	Deficit	198,228	173,653
9.2.2	**The movement in the present value of defined benefit obligation is as follows:**		
	Defined benefit obligation at beginning of the year	466,617	373,646
	Current service cost	57,168	44,130
	Interest cost	57,277	41,266
	Past service cost	–	(5,278)
	Benefits paid during the year	(52,048)	(29,620)
	Actuarial loss on obligation	45,498	42,473
	Present value of defined benefit obligation at end of the year	574,512	466,617
9.2.3	**The movement in fair value of plan assets is as follows:**		
	Fair value of plan assets at beginning of the year	292,964	249,770
	Expected return on plan assets	41,191	27,020
	Contributions	99,834	42,596
	Benefits paid during the year	(52,048)	(29,620)
	Actuarial (loss) / gain on plan assets	(5,657)	3,198
	Fair value of plan assets at end of the year	376,284	292,964
9.2.4	**Plan assets comprise of:**		
	Investment in listed securities	73,669	49,698
	Investment in mutual funds	64,831	–
	Investment in term finance certificates	–	26,509
	Cash and bank balances	237,784	216,757
		376,284	292,964
	Actual return on plan assets	35,534	30,218
	Contributions expected to be paid to the plan during the next financial year	86,960	71,932

Notes to the Financial Statements
for the year ended December 31, 2014

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.

		2014	2013
		(Rupees '000)	
9.2.5	**Movement in liability recognised in the balance sheet:**		
	Opening liability	173,653	123,876
	Expense for the year	68,648	53,098
	Other comprehensive income	51,155	39,275
	Contributions	(95,228)	(42,596)
	Closing liability	198,228	173,653
9.2.6	**Amount recognised in the profit and loss account is as follows:**		
	Current service cost	52,562	44,130
	Net interest	16,086	14,246
	Past service cost	-	(5,278)
		68,648	53,098
9.2.7	**The expense is recognised in the following line items in the profit and loss account:**		
	Cost of sales	50,242	41,826
	Administrative expenses	18,406	11,272
		68,648	53,098

9.2.8 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:

	2014	2013	2012	2011	2010
			(Rupees '000)		
Present value of defined benefit obligation	574,512	466,617	373,646	287,097	227,224
Fair value of plan assets	(376,284)	(292,964)	(249,770)	(196,583)	(143,278)
Deficit	198,228	173,653	123,876	90,514	83,946
Experience adjustments					
- on obligations - (loss)	(45,498)	(42,473)	(24,193)	(2,799)	(36,132)
- on plan assets - (loss) / gain	(5,657)	3,198	11,490	(3,090)	4,352

9.2.9 Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2014 are as follows:

	2014	2013
Discount rate	12.00%	13.00%
Expected rate of salary growth	12.00%	13.00%
Expected rate of return on plan assets	12.00%	13.00%
Mortality rate	SLIC-2001-2005	SLIC-2001-2005
Withdrawal factor	Low	Low

9.2.10 Sensitivity analysis

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

Notes to the Financial Statements
for the year ended December 31, 2014

	Defined benefit obligation	
	1 percent increase	1 percent decrease
Effect in millions of Rupees		
Discount rate	(57.41)	67.27
Salary increase rate	69.37	(60.09)

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

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

		Note	2014	2013
			(Rupees '000)	
10.	**MARK - UP ACCRUED**			
	Short term borrowings		85,973	236,052
	Long term loans		147,168	–
			233,141	236,052
11.	**SHORT TERM BORROWINGS - SECURED**			
	From banking companies and financial institutions	11.1	3,087,407	7,985,128
			3,087,407	7,985,128

11.1 The Company has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs. 13,630,000 thousand (2013: Rs. 22,005,000 thousand). These facilities carry mark-up ranging from 9.90% to 10.59% per annum (2013: 9.20% to 11.19% 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.

		2014	2013
		(Rupees '000)	
12.	**CONTINGENCIES AND COMMITMENTS**		
	Contingencies		
i)	Indemnity bonds and undertakings given to the customs 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.	60,692	29,698
iii)	Company's share of contingent liabilities of Fauji Cement Company Limited (FCCL) as at September 30, 2014.	22,250	21,764
iv)	Company's share of contingent liabilities of Foundation Wind Energy-I Limited (FWE-I) as at September 30, 2014.	62,873	69,619
v)	Company's share of contingent liabilities of Foundation Wind Energy-II (Pvt) Ltd (FWE-II) as at September 30, 2014.	62,873	60,975
vi)	Company's share of contingent liabilities of Askari Bank Limited (AKBL) as at September 30, 2014.	34,965,631	35,378,051
	Commitments		
i)	Capital expenditures - contracted.	909,849	614,631
ii)	Letters of credit for purchase of raw materials and stores and spares.	1,079,418	1,759,208
iii)	Commitments with Fauji Foundation for investment in FWE-I & FWE-II.	865,078	3,022,155
iv)	Company's share of commitments of Pakistan Maroc Phosphore S.A. Morocco (PMP) as at September 30, 2014.	4,623	271,442
v)	Commitments on behalf of Fauji Meat Limited (FML).	69,916	–
vi)	Commitments on behalf of FFBL Power Company Limited (FPCL).	5,390,538	–
vii)	Company's share of commitments of Fauji Cement Company Limited (FCCL) as at September 30, 2014.	10,785	–

Notes to the Financial Statements
for the year ended December 31, 2014

13. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLES

	PROPERTY, PLANT AND EQUIPMENT												INTANGIBLES
	Leasehold land	Freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress (note 13.1)	Total	
	(Rupees '000)												(Rupees '000)
COST													
Balance as at January 01, 2013	213,350	120,000	2,095,390	23,479,841	8,144	270,541	74,531	156,018	2,086	326,726	323,109	27,069,736	108,205
Additions during the year	41,404	-	-	-	-	53,391	12,685	14,201	-	23,862	473,526	619,069	-
Disposals	-	-	-	-	-	(30,237)	-	(217)	-	-	-	(30,454)	-
Adjustments	-	-	(15,825)	-	15,825	-	-	-	-	-	-	-	-
Transfers	-	-	7,779	223,527	-	-	-	-	-	-	(231,306)	-	-
Balance as at December 31, 2013	254,754	120,000	2,087,344	23,703,368	23,969	293,695	87,216	170,002	2,086	350,588	565,329	27,658,351	108,205
Balance as at January 01, 2014	254,754	120,000	2,087,344	23,703,368	23,969	293,695	87,216	170,002	2,086	350,588	565,329	27,658,351	108,205
Additions during the year	-	-	38,124	-	5,542	129,985	11,265	5,963	49	2,490	337,577	530,995	-
Disposals	-	-	-	-	-	(48,753)	-	(241)	-	-	-	(48,994)	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	101,641	-	-	-	-	-	-	(101,641)	-	-
Balance as at December 31, 2014	254,754	120,000	2,125,468	23,805,009	29,511	374,927	98,481	175,724	2,135	353,078	801,265	28,140,352	108,205
DEPRECIATION													
Balance as at January 01, 2013	83,113	-	582,958	12,108,773	2,880	158,596	31,242	131,003	1,934	146,395	-	13,246,894	98,925
Charge for the year	5,660	-	62,669	1,169,636	1,967	52,299	11,629	19,679	106	53,866	-	1,377,511	9,280
Disposals	-	-	-	-	-	(25,424)	-	(139)	-	-	-	(25,563)	-
Adjustments	-	-	(197)	-	197	-	-	-	-	-	-	-	-
Balance as at December 31, 2013	88,773	-	645,430	13,278,409	5,044	185,471	42,871	150,543	2,040	200,261	-	14,598,842	108,205
Balance as at January 01, 2014	88,773	-	645,430	13,278,409	5,044	185,471	42,871	150,543	2,040	200,261	-	14,598,842	108,205
Charge for the year	7,488	-	62,894	1,181,531	2,468	54,500	12,533	11,319	40	49,028	-	1,381,801	-
Disposals	-	-	-	-	-	(42,883)	-	(81)	-	-	-	(42,964)	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2014	96,261	-	708,324	14,459,940	7,512	197,088	55,404	161,781	2,080	249,289	-	15,937,679	108,205
Written down value - 2013	165,981	120,000	1,441,914	10,424,959	18,925	108,224	44,345	19,459	46	150,327	565,329	13,059,509	-
Written down value - 2014	158,493	120,000	1,417,144	9,345,069	21,999	177,839	43,077	13,943	55	103,789	801,265	12,202,673	-
Rate of depreciation	2 to 4%	-	3%	5%	10%	20 to 33%	15%	33 to 50%	30%	17 to 50%	-	-	33%

Notes to the Financial Statements
for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
13.1	**Capital work in progress**			
	This is made up as follows:			
	Plant and machinery including advances to suppliers		238,157	183,612
	Civil works		563,106	381,717
			801,263	565,329
13.2	**Depreciation and amortization charge has been allocated to profit & loss account as follows:**			
	Cost of sales	24	1,338,780	1,360,967
	Administrative expenses	26	43,021	25,824
			1,381,801	1,386,791

			Cost	Book value	Sale proceeds
				(Rupees '000)	
13.3	**Details of property, plant and equipment sold:**				
	Vehicles				
	As per Company policy to employees				
	Lt. Gen Muhammad Zaki, HI, HI (M) (Retd)		2,504	2,047	188
	Mr. Rao Jamal Hameed		1,739	1,232	1,207
	Mr. Usman Ibrahim		1,184	710	481
	Insurance claim		1,478	296	1,376
	Aggregate of other items of property, plant and equipment with individual book value below Rs. 50,000		42,089	1,745	15,544
		2014	48,994	6,030	18,796
		2013	30,454	4,891	17,716

		Note	2014	2013
			(Rupees '000)	
14.	**LONG TERM INVESTMENTS**			
	Jointly controlled entity - at cost	14.1	1,411,150	1,411,150
	Associated companies - at cost	14.2	7,878,338	7,508,835
	Subsidiary companies - at cost	14.3	2,841,300	2,000
	Other long term investments	14.4	–	–
			12,130,788	8,921,985

14.1 Cost of this investment is in Moroccan Dirhams 200,000 thousand made from 2004 to 2006 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 restrictions 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.

Notes to the Financial Statements
for the year ended December 31, 2014

14.2 Associated companies - at cost

2014	2013			2014	2013
Number of Shares			Note	(Rupees '000)	
		Quoted			
18,750,000	18,750,000	Fauji Cement Company Limited (FCCL)	14.2.1	300,000	300,000
271,884,009	271,884,009	Askari Bank Limited (AKBL)	14.2.2	5,230,991	5,230,990
		Unquoted			
		Foundation Wind Energy-I Limited (FWE-I)			
74,037,388	74,037,388	Shares		740,374	740,374
		Share deposit money		417,156	228,114
			14.2.3	1,157,530	968,488
		Foundation Wind Energy-II (Pvt) Ltd (FWE-II)			
6,518,103	6,518,103	Shares		651,810	651,810
		Share deposit money		538,007	357,547
			14.2.4	1,189,817	1,009,357
371,189,500	371,189,500			7,878,338	7,508,835

14.2.1 The Company holds 1.36% equity interest in Fauji Cement Company Limited (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. Fair value of investment in FCCL as at December 31, 2014 was Rs. 484,500 thousand (2013: Rs. 299,063 thousand). The Company is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by Faysal Bank Limited (formerly Royal Bank of Scotland), remains outstanding or without prior consent of FCCL.

14.2.2 This represents 21.57% share in the equity of Askari Bank Limited (AKBL) representing 271,884 thousand ordinary shares of Rs. 10 each acquired at an average price of Rs. 19.24 per share. Market value of investment in AKBL as at December 31, 2014 was Rs. 6,272,364 thousand (2013: Rs. 3,806,376 thousand).

14.2.3 This represents investment made in Foundation Wind Energy - I Limited (FWE-I), a company established for setting up 49.5 MW wind power plant. Pursuant to share holders agreement dated March 08, 2011 the Company will eventually hold 35% shareholding. Break up value of shares based on unaudited financial information for period ended September 30, 2014 is Rs. 8.47 per share. However, the project is in construction phase and FWE-I is expected to achieve commercial operation in first quarter of 2015.

14.2.4 This represents investment made in Foundation Wind Energy - II (Pvt) Ltd (FWE-II), a company established for setting up 49.5 MW wind power plant. Pursuant to share holders agreement dated March 08, 2011 the Company will eventually hold 35% shareholding. Break up value of shares based on unaudited financial information for period ended September 30, 2014 is Rs. 87.97 per share. FWE-II has achieved commercial operation in December 2014.

Notes to the Financial Statements

for the year ended December 31, 2014

14.3 Subsidiary companies - at cost

2014	2013			2014	2013
Number of Shares			Note	(Rupees '000)	
		Quoted			
		Fauji Meat Limited (FML)			
100,000	100,000	Shares		1,000	1,000
		Share deposit money		1,199,000	–
			14.3.1	1,200,000	1,000
		Fauji Foods Limited (FFL)			
100,000	100,000	Shares		1,000	1,000
		Share deposit money		284,197	–
			14.3.2	285,197	1,000
		FFBL Power Company Limited (FPCL)			
100,000	–	Shares		1,000	–
		Share deposit money		1,355,103	–
			14.3.3	1,356,103	–
300,000	200,000			2,841,300	2,000

14.3.1 This represent the Company's investment in 100% equity shares of Fauji Meat Limited (FML). The Company acquired 100,000 ordinary shares of Rs. 10 each in FML for a total consideration of Rs. 1 million. Further the Company has also paid advance / incurred expenses of Rs. 1,199,000 thousand as advance against issue of shares upto December 31, 2014 (2013-Rs Nil).The principal objectives of FML are to establish a meat abattoir unit for Halal Slaughtering of animals to obtain meat for local and export sale. FML is expected to commence its commercial operations by the end of 2015.

14.3.2 This represent the Company's investment in 100% equity shares of Fauji Foods Limited (FFL). The Company acquired 100,000 ordinary shares of Rs. 10 each in FFL for a total consideration of Rs. 1 million. Further the Company has also paid advance / incurred expenses of Rs. 284,197 thousand as advance against issue of shares upto December 31, 2014 (2013-Rs Nil). The principal objectives of FFL are to produce multi brand dairy products.

14.3.3 This represent the Company's investment in 100% equity shares of FFBL Power Company Limited (FPCL). The Company acquired 100,000 ordinary shares of Rs. 10 each in FPCL for a total consideration of Rs. 1 million. Further the Company has also paid advance / incurred expenses of Rs. 1,355,103 thousand as advance against issue of shares upto December 31, 2014 (2013-Rs Nil). The principal objective of FPCL is to set up a 118 MW power project. The company is expected to commence commercial production by end of 2016.

14.4 The Company holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. Breakup value based on audited accounts for the year ended June 30, 2014 was Re. 0.70 per ordinary share (June 30, 2013: Rs. 4.39). This investment is fully impaired.

Notes to the Financial Statements

for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
15.	**STORES AND SPARES**			
	Stores		383,491	347,310
	Spares		2,119,264	1,925,733
	Provision for obsolescence		(165,550)	(165,550)
			2,337,205	2,107,493
16.	**STOCK IN TRADE**			
	Packing materials		56,089	62,443
	Raw materials		804,109	138,592
	Raw materials in transit		315,805	353,690
	Work in process		103,341	26,936
	Finished goods		277,952	547,596
			1,557,296	1,129,257
17.	**TRADE DEBTS**			
	Secured - considered good		1,466,063	1,603,643
			1,466,063	1,603,643
18.	**ADVANCES**			
	Advances to:			
	- Executives, unsecured considered good		1,572	840
	- Other employees, unsecured considered good		75,800	57,553
	Advances to suppliers and contractors			
	- Considered good		803,315	514,573
			880,687	572,966
19.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Security deposits		7,177	4,362
	Prepayments		20,920	25,515
			28,097	29,877
20.	**OTHER RECEIVABLES**			
	Due from Fauji Fertilizer Company Limited			
	- Unsecured, considered good	20.1	173,420	572,623
	Other receivables			
	- Considered good		340,806	132,890
			514,226	705,513

20.1 This interest free balance represents amount recovered by Fauji Fertilizer Company Limited (FFCL) from customers on sale of the Company's products under inter company services agreement.

Notes to the Financial Statements
for the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
21. SHORT TERM INVESTMENTS			
Loans and receivables			
Term deposits with banks and financial institutions		1,430,000	1,200,000
Investments at fair value through profit or loss - held for trading			
Money market funds		7,800,117	4,123,136
		9,230,117	5,323,136
22. CASH AND BANK BALANCES			
Deposit accounts - in local currency	22.1	4,670,388	2,139,349
- in foreign currency		1,956	2,055
		4,672,344	2,141,404
Current accounts		371,501	335,582
Cash in hand		824	547
		5,044,669	2,477,533

22.1 This includes Rs. 143,770 thousand (2013: Rs. 241,163 thousand) held under lien by the commercial banks against various facilities.

	Note	2014	2013
		(Rupees '000)	
23. SALES			
Gross Sales		58,293,148	63,651,722
Less:			
Sales tax		8,829,450	9,176,575
Commission to Fauji Fertilizer Company Limited	23.1	18,442	19,979
		8,847,892	9,196,554
		49,445,256	54,455,168

23.1 Commission is paid @ Re. 1 per bag sold by Fauji Fertilizer Company Limited (FFCL), based on inter company services agreement.

Notes to the Financial Statements
for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
24.	**COST OF SALES**			
	Raw materials consumed		29,984,717	30,780,637
	Packing materials consumed		587,871	581,779
	Fuel and power		2,860,257	2,482,308
	Chemicals and supplies consumed		226,404	273,580
	Salaries, wages and benefits	24.1	1,727,094	1,720,439
	Rent, rates and taxes		75,995	23,315
	Insurance		99,719	101,317
	Travel and conveyance		167,668	148,881
	Repairs and maintenance		926,362	889,883
	Communication, establishment and other expenses		165,197	146,477
	Depreciation	13.2	1,338,780	1,360,967
	Opening stock - work in process		26,936	13,615
	Closing stock - work in process		(103,341)	(26,936)
	Cost of goods manufactured		38,083,659	38,496,262
	Opening stock - finished goods		547,596	1,993,998
	Closing stock - finished goods		(277,952)	(547,596)
	Cost of sales		38,353,303	39,942,664

24.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 50,242 thousand, Rs. 37,089 thousand and Rs. 52,194 thousand respectively. (2013: Rs. 41,826 thousand, Rs. 36,156 thousand and Rs. 116,353 thousand respectively).

		Note	2014	2013
			(Rupees '000)	
25.	**SELLING AND DISTRIBUTION EXPENSES**			
	Product transportation		2,398,100	2,572,092
	Expenses charged by Fauji Fertilizer Company Limited	25.1		
	Salaries, wages and benefits		625,900	603,359
	Rent, rates and taxes		54,447	59,729
	Technical services		5,658	5,645
	Travel and conveyance		82,451	80,343
	Sales promotion and advertising		38,160	33,424
	Communication, establishment and other expenses		70,255	63,252
	Warehousing expenses		23,086	22,326
	Depreciation		16,017	12,369
			915,974	880,447
			3,314,074	3,452,539

25.1 This represents common expenses charged by Fauji Fertilizer Company Limited (FFCL) on account of marketing of the Company's products based on an inter company services agreement.

Notes to the Financial Statements
for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
26.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	26.1	867,855	656,717
	Travel and conveyance		153,730	182,578
	Utilities		9,951	7,812
	Printing and stationery		10,794	9,605
	Repairs and maintenance		17,271	9,522
	Communication, advertisement and other expenses		32,400	22,025
	Rent, rates and taxes		19,404	15,207
	Listing fee		1,381	1,364
	Donations	26.2	70,109	47,000
	Legal and professional		40,912	33,404
	Depreciation	13.2	43,021	25,824
	Miscellaneous		50,807	36,979
			1,317,635	1,048,037

26.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 18,406 thousand, Rs. 17,212 thousand and Rs. 24,304 thousand respectively (2013: Rs. 11,272 thousand, Rs. 13,113 thousand and Rs. 37,881 thousand respectively).

26.2 Legal and professional charges include a penalty of Rs. 25,000 by Karachi Stock Exchange on late receiving of first quarterly financial statements of the Company.

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

Particulars of project	Address	(Rupees '000)	
Fauji Foundation (FF)	Tipu Road, Rawalpindi	–	10,000

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

		2014	2013
		(Rupees '000)	
27.	**FINANCE COST**		
	Mark-up on short term borrowings	933,193	1,112,322
	Mark-up on long term finance	330,984	–
	Interest on Workers' (Profit) Participation Fund	345	218
	Bank charges	32,241	26,412
	Exchange loss	16,181	375,979
		1,312,944	1,514,931

Notes to the Financial Statements
for the year ended December 31, 2014

	Note	2014 (Rupees '000)	2013 (Rupees '000)
28. OTHER OPERATING EXPENSES			
Workers' (Profit) Participation Fund	9.1	310,403	458,802
Workers' Welfare Fund		117,414	177,942
Auditor's remuneration			
Fees - annual audit		1,000	1,000
Fees - half yearly review		100	100
Other certification & services		718	600
Out of pocket expenses		185	115
		2,003	1,815
		429,820	638,559
29. OTHER INCOME			
Income from financial assets			
Profit on bank balances and term deposits		244,559	401,521
Dividend on investment in money market funds		171,102	224,738
Gain on sale of investments		268,977	6,223
		684,638	632,482
Income from assets other than financial assets			
Scrap sales and miscellaneous receipts		65,361	12,124
Dividend from associates		300,009	23,437
Gain on sale of property, plant and equipment		12,766	12,825
		378,136	48,386
		1,062,774	680,868
30. TAXATION			
Current		1,980,595	3,088,472
Deferred		(216,667)	(347,187)
		1,763,928	2,741,285

	2014		2013	
	(Rupees '000)	%	(Rupees '000)	%
30.1 Reconciliation of tax charge for the year:				
Profit before tax	5,780,254	–	8,361,673	–
Tax on profit	1,907,484	33.00	2,842,969	34.00
Tax effect of lower rate on certain income / expenses	(142,248)	(2.46)	(98,203)	(1.09)
Tax effect of exempt income / permanent differences	(1,308)	(0.02)	(3,481)	(0.04)
	1,763,928	30.52	2,741,285	32.87

Notes to the Financial Statements
for the year ended December 31, 2014

		2014	2013
31.	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit after taxation (Rupees ‘000)	4,016,326	5,798,021
	Weighted average number of ordinary shares in issue during the year (thousand)	934,110	934,110
	Earnings per share - basic and diluted (Rupees)	4.30	6.21

There is no dilutive effect on the basic earnings per share of the Company for the year 2014.

		Note	2014	2013
			(Rupees ’000)	
32.	**CASH GENERATED FROM OPERATIONS**			
	Profit before taxation		5,780,254	8,539,306
	Adjustments for:			
	Provision for gratuity		68,648	53,098
	Exchange loss		16,181	375,979
	Provision for compensated absences		76,498	154,234
	Provision for Workers’ (Profit) Participation Fund	9.1	310,403	458,803
	Provision for Workers’ Welfare Fund		117,414	177,941
	Depreciation	13.2	1,381,801	1,386,791
	Finance cost		1,296,763	1,138,952
	Gain on investments including dividend received		(740,088)	(254,398)
	Profit on bank balances and term deposits		(244,559)	(401,521)
	Gain on sale of property, plant and equipment		(12,766)	(12,825)
	Operating profit before working capital changes		8,050,549	11,616,360
	Changes in working capital			
	Stores and spares		(229,712)	(96,011)
	Stock in trade		(428,039)	3,747,048
	Trade debts		137,580	865,432
	Advances		(307,721)	(124,903)
	Trade deposits and short term prepayments		1,780	(6,236)
	Other receivables		191,287	2,289,295
	Sales tax refundable		(570,043)	(124,234)
	Trade and other payables		5,365,895	(3,707,921)
			4,161,027	2,842,470
			12,211,576	14,458,830

Notes to the Financial Statements
for the year ended December 31, 2014

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:

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	12,525	126,291	12,004	92,016
Bonus	2,065	86,771	6,923	69,178
Contributory provident fund	560	5,514	632	4,391
Others	7,129	39,756	6,767	48,748
	22,279	258,332	26,326	214,333
No. of person (s)	1	24	1	19

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. 3,725 thousand (2013: Rs. 7,172 thousand) on separation in accordance with the Company's policy.

In addition, the other directors of the Company are paid meeting fee aggregating Rs. 8,325 thousand (2013: Rs. 6,825 thousand). No remuneration was paid to directors of the Company; (2013: Rs Nil). The number of directors of the Company was 12 (2013: 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:

	2014	2013
	(Rupees '000)	
Trade debts	1,466,063	1,603,643
Deposits	85,820	83,005
Interest accrued	17,633	19,729
Other receivables - net of provision	514,225	705,513
Short term investments	9,230,117	5,323,136
Bank balances	5,043,845	2,476,986
	16,357,703	10,212,012

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 Fauji Fertilizer Company Limited (FFCL) which amounts to Rs. 173,420 thousand (2013: Rs. 572,623 thousand) 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 (2013: 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 (2013: 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 11 to the financial statements.

Notes to the Financial Statements
for the year ended December 31, 2014

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

2014	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long term loans	10,147,168	10,147,168	–	–	1,547,592	8,599,576	–
Deferred Government assistance	1,944,600	1,944,600	1,944,600	–	–	–	–
Trade and other payables	12,102,169	12,102,169	12,102,169	–	–	–	–
Short term borrowings including mark-up	3,173,380	3,173,380	3,173,380	–	–	–	–
	27,367,317	27,367,317	17,220,149	–	1,547,592	8,599,576	–

2013	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long term loans	2,592,801	2,592,801	2,008,682	–	584,119	–	–
Trade and other payables	7,835,565	7,835,565	7,835,565	–	–	–	–
Short term borrowings including mark-up	8,221,180	8,221,180	8,221,180	–	–	–	–
	18,649,546	18,649,546	18,065,427	–	584,119	–	–

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 11.1 to these financial statements.

34.3 Market risk

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

34.3.1 Currency risk

Exposure to Currency risk

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

	2014		2013	
	(Rupees '000)	(US Dollars '000)	(Rupees '000)	(US Dollars '000)
Bank balances	1,955	19	2,055	19
Creditors	(5,672,264)	(56,384)	(3,347,101)	(31,651)
Net exposure	(5,670,309)	(56,365)	(3,345,046)	(31,632)

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rates (Bid-offer average)	
	2014	2013	2014	2013
US Dollars	101.09	101.99	100.60	105.75

Notes to the Financial Statements
for the year ended December 31, 2014

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs. 567,031 thousand (2013: Rs. 334,505 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	
	2014	2013
	(Rupees '000)	
Fixed rate instruments		
Financial assets	1,430,000	1,200,000
Financial liabilities	1,750,000	7,350,000
Variable rate instruments		
Financial assets	4,672,344	2,141,404
Financial liabilities	1,337,407	635,128

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 2013.

	Profit or loss	
	100 basis point increase	100 basis point decrease
	(Rupees '000)	
December 31, 2014		
Cash flow sensitivity - Variable rate instruments	56,618	56,618
December 31, 2013		
Cash flow sensitivity - Variable rate instruments	5,894	5,894

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. 78,001 (2013: 41,231).

Notes to the Financial Statements
for the year ended December 31, 2014

34.4 Fair values

Fair value versus carrying amounts

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

	Note	December 31, 2014 Carrying amount	December 31, 2014 Fair value	December 31, 2013 Carrying amount	December 31, 2013 Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Trade debts	17	1,466,063	1,466,063	1,603,643	1,603,643
Deposits		85,820	85,820	83,005	83,005
Interest accrued		17,633	17,633	19,729	19,729
Other receivables - net of provision	20	514,225	514,225	705,513	705,513
Short term investments - loans and receivables	21	1,430,000	1,430,000	1,200,000	1,200,000
Cash and bank balances	22	5,044,669	5,044,669	2,477,533	2,477,533
		8,558,410	8,558,410	6,089,423	6,089,423
Assets carried at fair value					
Short term investments -Investments at fair value through profit or loss	21	7,800,117	7,800,117	4,123,136	4,123,136
Liabilities carried at amortized cost					
Long term loans	6	10,147,168	10,147,168	2,592,801	2,592,801
Trade and other payables	9	12,102,169	12,102,169	7,835,565	7,835,565
Short term borrowings including mark-up	11	3,173,380	3,173,380	8,221,180	8,221,180
		25,422,717	25,422,717	18,649,546	18,649,546

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the Government yield curve at the reporting date plus an adequate credit spread. The interest rate used to determine fair value of GoP loan is 10% (2013: 10.80%). 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, 2014			
Assets carried at fair value			
Short term investments - investment in mutual funds	7,800,117	–	–
December 31, 2013			
Assets carried at fair value			
Short term investments - investment in mutual funds	4,123,136	–	–

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 at 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 associate

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

Non - derivative financial assets

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

Non - derivative financial liabilities

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

34.6 Capital management

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

The Company has long term loan facilities aggregating to Rs. 10,000,000 thousand (2013: Rs. Nil). These are secured against ranking charge over current and fixed assets of the Company and carry mark-up ranging between 10.34% to 10.68% per annum (2013: Nil).

Notes to the Financial Statements
for the year ended December 31, 2014

35. RELATED PARTY TRANSACTIONS

Fauji Fertilizer Company Limited (FFCL) has 49.88% share holding in FFBL (2013: 50.88%). While Fauji Foundation (FF) holds 18.29% shares (2013: 17.29%) in 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 jointly controlled entity are disclosed in note 14 to the financial statements.

	2014	2013
	(Rupees '000)	
Transactions with the subsidiary companies		
Expenses incurred on behalf of subsidiaries	301,390	–
Investment in Fauji Meat Limited (FML)	1,199,000	1,000
Investment in Fauji Foods Limited (FFL)	284,197	1,000
Investment in FFBL Power Company Limited (FPCL)	1,356,103	–
Transactions with associated undertakings due to common directorship		
Services and material acquired	925,567	890,708
Services and material provided	7,550	10,889
Collections	59,182,502	66,026,408
Commission charged to the Company	18,442	19,979
Dividend paid - net	2,546,937	3,183,671
Rent charged to the Company	1,339	1,240
Balance receivable at the year end - unsecured	173,420	572,623
Investment in FWE-I & FWE-II	369,503	961,210
Investment in Askari Bank Limited (AKBL)	1	5,230,990
Transactions with jointly controlled entity		
Purchase of raw materials	24,697,427	23,168,097
Expenses incurred on behalf of jointly controlled entity	20,008	14,933
Balance payable at the year end - secured	5,745,925	3,370,005
Balance receivable at the year end - unsecured	37,526	19,989
Other related parties		
Contribution to Provident Fund	54,301	49,269
Payment to Gratuity Fund	95,228	42,596
Payment to Workers' (Profit) Participation Fund	339,807	417,042
Payable to Gratuity Fund	198,228	173,653
Remuneration of key management personnel	30,604	33,151

Notes to the Financial Statements
for the year ended December 31, 2014

	2014	2013
	(Rupees '000)	
36. EMPLOYEES PROVIDENT FUND TRUST		
Size of the fund	1,147,695	998,765
Cost of investments made	995,323	860,401
Fair value of investments	1,093,914	952,998
Percentage of investments made	95.31%	95.42%

36.1 Breakup of investments is as follows:

	2014		2013	
	(Rupees '000)	(%)	(Rupees '000)	(%)
Shares	218,787	21.98	193,797	22.52
Mutual funds	212,367	21.34	50,095	5.83
Bank deposits	564,169	56.68	616,509	71.65
	995,323	100.00	860,401	100.00

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

37. GENERAL

	2014	2013
	(Tonnes)	
37.1 Production capacity		
Design capacity		
Urea	551,100	551,100
DAP	650,000	650,000
Actual production		
Urea	213,163	224,477
DAP	701,841	744,436

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

	2014	2013
37.2 Number of persons employed	(Numbers)	
Employees on year end	1,384	1,175
Average employees during the year	1,257	1,109

37.3 Figures have been rounded off to the nearest thousand rupees.

37.4 The Board of Directors of the Company in their meeting held on January 29, 2015 have proposed a final dividend of Rs. 2.25 per ordinary share.

37.5 These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on January 29, 2015.

CHAIRMAN | CHIEF EXECUTIVE | DIRECTOR

Consolidated Financial Statements

Fauji Fertilizer Bin Qasim Limited December 31, 2014

Auditors' Report to the Members
of Fauji Fertilizer Bin Qasim Limited

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Fauji Fertilizer Bin Qasim Limited (the Holding Company) and its subsidiary companies, Fauji Meat Limited, Fauji Foods Limited and FFBL Power Company Limited as at 31 December 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Fauji Fertilized Bin Qasim Limited. The financial statements of the subsidiary companies, Fauji Meat Limited, Fauji Foods Limited and FFBL Power Company Limited have been audited by another firms of chartered accountants whose report have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the Auditing Standards as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Fauji Fertilizer Bin Qasim Limited and its subsidiary companies, Fauji Meat Limited, Fauji Foods Limited and FFBL Power Company Limited as at 31 December 2014 and the results of their operations for the year then ended.

KPMG Taseer Hadi & Co.

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

Islamabad
January 29, 2015

Consolidated Balance Sheet
as at December 31, 2014

	Note	2014	2013
		(Rupees '000)	
EQUITY AND LIABILITIES			
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		904,466	1,041,870
Accumulated profit		3,773,055	3,163,872
		14,253,351	13,781,572
NON-CURRENT LIABILITIES			
Long term loans	6	10,000,000	–
Deferred Government assistance	7	–	584,119
Deferred liabilities	8	3,317,192	3,460,397
		13,317,192	4,044,516
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	9	13,873,336	8,371,864
Mark - up accrued	10	233,142	236,052
Short term borrowings	11	3,087,408	7,985,128
Current portion of deferred Government assistance	7	1,944,600	2,008,682
Provision for income tax - net		769,102	727,583
		19,907,588	19,329,309
		47,478,131	37,155,397
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

	Note	2014	2013
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	14,864,264	13,059,509
Long term investments	14	10,539,515	9,862,133
Long term deposits		78,643	78,643
		25,482,422	23,000,285
CURRENT ASSETS			
Stores and spares	15	2,350,145	2,107,493
Stock in trade	16	1,557,296	1,129,257
Trade debts	17	1,468,373	1,603,643
Advances	18	892,782	577,966
Trade deposits and short term prepayments	19	28,689	29,877
Interest accrued		17,633	19,729
Other receivables	20	212,835	693,772
Sales tax refundable		763,591	190,691
Short term investments	21	9,230,117	5,323,136
Cash and bank balances	22	5,474,248	2,479,548
		21,995,709	14,155,112
		47,478,131	37,155,397

CHAIRMAN　　CHIEF EXECUTIVE　　DIRECTOR

Consolidated Profit and Loss Account

for the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
Sales - net	23	49,445,256	54,455,168
Cost of sales	24	(38,353,303)	(39,942,664)
GROSS PROFIT		11,091,953	14,512,504
Selling and distribution expenses	25	(3,314,174)	(3,452,539)
Administrative expenses	26	(1,359,472)	(1,054,777)
		6,418,307	10,005,188
Finance cost	27	(1,312,956)	(1,514,931)
Other operating expenses	28	(452,236)	(629,474)
		4,653,115	7,860,783
Other income	29	793,846	657,448
Share in profit / (loss) of equity accounted investments		745,291	(163,355)
PROFIT BEFORE TAXATION		6,192,252	8,354,876
Taxation	30	(1,795,474)	(2,748,667)
PROFIT AFTER TAXATION		4,396,778	5,606,209
Earnings per share - basic and diluted (Rupees)	31	4.71	6.00

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

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

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
Profit after taxation		4,396,778	5,606,209
Other comprehensive income			
Exchange difference on translating a jointly controlled entity	14	(135,925)	326,903
Share of translation of equity accounted investment in Askari Bank Limited		(1,479)	2,762
Actuarial losses	9.2.7	(51,155)	(39,275)
		(188,559)	290,390
Total comprehensive income		4,208,219	5,896,599

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

Consolidated Cash Flow Statement
for the year ended December 31, 2014

	Note	2014	2013
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	12,433,229	14,452,090
Finance cost paid		(1,299,340)	(1,183,288)
Taxes paid		(1,932,960)	(2,852,602)
Payment to Gratuity Fund		(95,228)	(42,596)
Compensated absences paid		(40,697)	(23,551)
Payment to Workers' (Profit) Participation Fund		(339,808)	(417,042)
Net cash generated from operating activities		8,725,196	9,933,011
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,194,633)	(619,069)
Long term investments		(369,503)	(6,168,763)
Proceeds from sale of property, plant and equipment		18,796	17,716
Long term deposits		–	(7,331)
Dividend received		300,009	–
Short term investments		(3,236,902)	(3,892,175)
Profit received on bank balances and term deposits		279,969	421,126
Net cash used in investing activities		(6,202,264)	(10,248,496)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		10,000,000	–
Deferred Government assistance		(648,201)	(648,201)
Short term borrowings - net		(5,600,000)	3,766,741
Dividend paid		(3,752,311)	(4,475,942)
Net cash used in financing activities		(512)	(1,357,402)
Net increase / (decrease) in cash and cash equivalents		2,522,420	(1,672,887)
Cash and cash equivalents at beginning of the year		3,044,420	4,717,307
Cash and cash equivalents at end of the year		5,566,840	3,044,420
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	5,474,248	2,479,548
- Short term highly liquid investments	21	1,430,000	1,200,000
- Short term running finance		(1,337,408)	(635,128)
		5,566,840	3,044,420

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

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

	Share capital	Reserves: Capital reserve	Reserves: Statutory reserve	Reserves: Translation reserve	Accumulated profit	Total
	(Rupees '000)					
Balance as at January 01, 2013	9,341,100	228,350	6,380	712,205	2,267,489	12,555,524
Total comprehensive income						
Profit for the year after taxation	–	–	–	–	5,606,209	5,606,209
Other comprehensive income for the year	–	–	–	329,665	(39,275)	290,390
Total comprehensive income for the year	–	–	–	329,665	5,566,934	5,896,599
Transactions with owners, recorded directly in equity						
Distributions to owners						
Final dividend 2012 (Rs. 2.25 per ordinary share)	–	–	–	–	(2,101,748)	(2,101,748)
First interim dividend 2013 (Rs. 1.75 per ordinary share)	–	–	–	–	(1,634,693)	(1,634,693)
Second interim dividend 2013 (Re. 1.00 per ordinary share)	–	–	–	–	(934,110)	(934,110)
Total transactions with owners	–	–	–	–	(4,670,551)	(4,670,551)
Balance as at December 31, 2013	9,341,100	228,350	6,380	1,041,870	3,163,872	13,781,572
Balance as at January 01, 2014	9,341,100	228,350	6,380	1,041,870	3,163,872	13,781,572
Total comprehensive income						
Profit for the year after taxation	–	–	–	–	4,396,778	4,396,778
Other comprehensive income for the year	–	–	–	(137,404)	(51,155)	(188,559)
Total comprehensive income for the year	–	–	–	(137,404)	4,345,623	4,208,219
Transactions with owners, recorded directly in equity						
Distributions to owners						
Final dividend 2013 (Rs. 2.25 per ordinary share)	–	–	–	–	(2,101,747)	(2,101,747)
First interim dividend 2014 (Re. 1.00 per ordinary share)	–	–	–	–	(934,110)	(934,110)
Second interim dividend 2014 (Re. 0.75 per ordinary share)	–	–	–	–	(700,583)	(700,583)
Total transactions with owners	–	–	–	–	(3,736,440)	(3,736,440)
Balance as at December 31, 2014	9,341,100	228,350	6,380	904,466	3,773,055	14,253,351

The annexed notes 1 to 38 form an integral part of these consolidated financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited Group, comprises of Fauji Fertilizer Bin Qasim Limited (FFBL) the holding company and its subsidiaries, Fauji Meat Limited (FML), Fauji Foods Limited (FFL) and FFBL Power Company Limited, collectively referred as ("Group").

FFBL 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 FFBL is situated at Rawalpindi, Pakistan. FFBL is domiciled in Rawalpindi, Pakistan. The principal objective of FFBL is manufacturing, purchasing and marketing of fertilizers. FFBL commenced its commercial production effective January 01, 2000.

FML is a public limited company incorporated on September 05, 2013 in Pakistan under the Companies Ordinance, 1984. The principal objectives of FML are to establish a meat abattoir unit for halal slaughtering of animals to obtain meat for local and export sale purposes. FFL is a public limited company incorporated on July 04, 2013 in Pakistan under the Companies Ordinance, 1984. The principal objectives of FFL are to produce multi brand dairy products. FFBL Power Company Limited is a public limited company incorporated on June 27, 2014 in Pakistan under the Companies Ordinance, 1984. The principal activity is generation and supply of electricity and all other forms of energy. The registered offices of FML, FFL and FFBL Power Company Limited are situated at Rawalpindi, Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Group'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 consolidated 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 consolidated financial statements are discussed in the ensuing paragraphs.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

2.4.1 Staff retirement gratuity

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

2.4.4 Taxation

The Group takes into account the current income tax law and decisions taken by the taxation authorities. Instances where the Group's views differ from the views taken by the income tax department at the assessment stage and where the Group 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 Group 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 Group'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 consolidated financial statements.

3.1 Consolidated financial statements

FFBL has prepared consolidated financial statements of the Group for the first time together with corresponding figures for the year ended December 31, 2013.

The consolidated financial statements include the financial statements of FFBL and its 100% owned subsidiary companies, Fauji Meat Limited, Fauji Foods Limited and FFBL Power Company Limited.

Subsidiaries

Subsidiaries are those enterprises in which holding company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment held by the holding company is eliminated against holding company's share in paid up capital of the subsidiaries.

Material intra-group balances and transactions have been eliminated.

Non controlling interests are that part of net results of the operations and of net assets of the subsidiaries attributable to interests which are not owned by the holding company. Non controlling interests are presented as a separate item in the consolidated financial statements.

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 Group's (acquirer) comparative financial statements.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the Group'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.

Investments in associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group companies' investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group companies' share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group companies except in case of Askari Bank Limited as stated below, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group companies' share of losses exceeds their interest in an equity accounted investees, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group companies have an obligation or have made payments on behalf of the investees.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group companies' interest in the investees. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

FFBL has an associate, Askari Bank Limited (AKBL), which is a banking company engaged in commercial banking and related services. The applicability of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40 "Investment Property" has been deferred for banking companies by the State Bank of Pakistan, Whereas IAS 39 and IAS 40 are applicable to FFBL. Accordingly equity accounting of AKBL is based on its unaudited financial information for the nine months period ended September 30, 2014 prepared under the accounting frame work applicable to banking companies in Pakistan.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

3.2 Employees' retirement benefits

The Group has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

The Group 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 Group and employees at the rate of 10% of basic pay. The Group's contribution is charged to expense for the year.

Gratuity Fund - Defined Benefit Scheme

The Group 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 9.2. Amount determined by the actuary as charge for the year is included in profit and loss account for the year.

Compensated absences

The Group grants compensated absences to all its employees in accordance with the rules of the Group. Provisions are made in accordance with the actuarial recommendation. Under this unfunded scheme, regular employees are entitled maximum 30 days privilege leave for each completed year of service. Un-utilized privilege leaves are accumulated upto a maximum of 120 days which are encashable at the time of separation from service on the basis of last drawn gross salary. Provision is recognized based on actuarial valuation is carried out using the Projected Unit Credit Method.

3.3 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

3.4 Property, plant & equipment and Intangibles

3.4.1 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 Group 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.

3.4.2 Intangibles

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

3.5 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.

3.6 Investments

3.6.1 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.

3.6.2 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

3.6.3 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 Group recognizes the regular way purchase or sale of financial assets using settlement date accounting.

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 Group'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 Group becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortized cost respectively. The Group 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 Group.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

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 Group 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 finances.

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 3.5.

3.13 Provisions

A provision is recognized if, as a result of a past event, the Group 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 jointly controlled entities

The results and financial position of jointly controlled entities 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 Group 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.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

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 accrual basis.

3.17 Basis of allocation of common expenses

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

3.18 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 Group'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.

3.19 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segments' operating results are reviewed regularly by the CE & MD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CE & MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are fertilizer, meat, food and power.

3.20 New accounting standards and IFRIC interpretations

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2015:

- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 01 July, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. The amendments are not likely to have an impact on Group's financial statements.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 01 January, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Group's financial statements.

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 01 January, 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 01 January, 2016. The management has not yet completed its assessment of any potential impact of IFRS 10 on Group's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 01 January, 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 01 January, 2016. The adoption of this standard is not like to have an impact on Group's financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 01 January, 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not like to have an impact on Group's financial statements.

- IFRS 13 'Fair Value Measurement' effective for annual periods beginning on or after 01 January, 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not like to have an impact on Group's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 01 January, 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 January, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a Group can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. Application of these amendments are not likely to have an impact on Group's financial statements.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 01 January, 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The application of these amendments are not likely to have an impact on Group's financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 01 July, 2014). The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'.

-IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination.

- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria.

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

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

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

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 01 January, 2016). The new cycle of improvements contain amendments to the following standards:

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

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

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

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

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

	2014	2013
	(Rupees '000)	
4. SHARE CAPITAL		
4.1 ISSUED, SUBSCRIBED AND PAID - UP CAPITAL		
934,110,000 Ordinary shares of Rs. 10 each issued for cash	9,341,100	9,341,100

4.2 Fauji Fertilizer Company Limited and Fauji Foundation held 465,891,896 and 170,842,386 (2013: 475,232,996 and 161,501,286) ordinary shares respectively of the Company at the year end.

	2014	2013
4.3 AUTHORIZED SHARE CAPITAL		
1,100,000,000 Ordinary shares of Rs. 10 each	11,000,000	11,000,000

5. CAPITAL RESERVE

Rs. 228,350 thousand represents share premium of Rs. 5 per share received on public issue of 45,670 thousand ordinary shares in 1996.

	Note	2014	2013
		(Rupees '000)	
6 LONG TERM LOANS			
Loans from banking companies - secured	6.1	10,000,000	–
		10,000,000	–
6.1 LOANS FROM BANKING COMPANIES - SECURED			
MCB Bank Limited		3,000,000	–
Allied Bank Limited		3,500,000	–
Bank Al-Falah Limited		1,000,000	–
Bank Al-Habib Limited		1,000,000	–
Meezan Bank Limited		1,500,000	–
		10,000,000	–

Terms and Conditions of these loans are as follows

Lenders	Mark-up Rate %	No. of Installments	Commencement of Repayment	Date of Final Repayment
MCB Bank Limited	3 Month KIBOR + 0.50	12 quarterly	November 2016	September 2019
Allied Bank Limited	3 Month KIBOR + 0.50	12 quarterly	December 2016	September 2019
Bank Al-Falah Limited	6 Month KIBOR + 0.50	6 half yearly	March 2017	September 2019
Bank Al-Habib Limited	3 Month KIBOR + 0.50	12 quarterly	December 2016	August 2019
Meezan Bank Limited	3 Month KIBOR + 0.15	1 at maturity	March 2016	March 2016

FFBL has long term loan facilities aggregating to Rs. 10,000,000 thousand (2013: Rs. Nil). These are secured against ranking charge over current and fixed assets of FFBL and carry mark-up ranging between 10.34% to 10.68% per annum (2013: Nil).

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
7.	**DEFERRED GOVERNMENT ASSISTANCE - UNSECURED**			
	Government of Pakistan (GoP) loan	7.1	1,925,179	2,514,867
	Less: Current portion shown under current liabilities		1,944,600	2,008,682
			(19,421)	506,185
	Deferred Government assistance	7.1	19,421	77,934
			–	584,119

7.1 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 from 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 recognized 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. 58,513 thousand.

Under the terms of restructuring with GoP, the excess cash, which may arise based on a pre-defined mechanism, shall be shared by FFBL (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 M/s A. F. Ferguson & Co 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, three ECA have released the guarantee of HBL and have returned the original documents.

Since one ECA has yet to release HBL from its responsibility as guarantor therefore, charge related to portion of the said guarantee on assets of the Company has not been vacated up to December 31, 2014. The Company is making efforts in getting this guarantee released.

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
8.	**DEFERRED LIABILITIES**			
	Compensated leave absences	8.1	393,853	358,052
	Deferred tax	8.2	2,923,339	3,102,345
			3,317,192	3,460,397
8.1	**Compensated leave absences**			
	The movement in the present value of compensated absences is as follows:			
	Opening liability		358,052	227,369
	Expense for the year		76,498	99,260
	Past service cost		–	54,974
	Benefits paid during the year		(40,697)	(23,551)
	Closing liability		393,853	358,052
	The main assumptions used for actuarial valuation are as follows:			
	Discount rate - per annum		13.50%	11.50%
	Expected rate of increase in salaries - per annum		13.50%	11.50%
	Leave accumulation factor - days		10	10
	Mortality table		SLIC-2001-2005	SLIC-2001-2005
	Withdrawal factor		Low	Low
8.2	**The balance of deferred tax is in respect of the following major taxable temporary differences:**			
	Accelerated depreciation		2,940,894	3,155,906
	Share of profit of associates		40,387	2,726
	Provision for inventory obsolescence		(57,942)	(56,287)
		8.2.1	2,923,339	3,102,345
8.2.1	**The movement of deferred tax during the current year is as follows:**			
	Opening balance		3,102,345	3,445,270
	Reversal for the year		(179,006)	(342,925)
	Closing balance		2,923,339	3,102,345
9.	**TRADE AND OTHER PAYABLES**			
	Creditors		8,383,469	4,409,906
	Accrued liabilities		1,907,884	1,741,215
	Advances from customers		1,698,215	527,137
	Workers' (Profit) Participation Fund - unsecured	9.1	42,667	49,463
	Payable to Gratuity Fund - unsecured	9.2	198,228	173,653
	Workers' Welfare Fund		1,066,082	949,096
	Unclaimed dividend		287,278	303,149
	Withholding tax payable		–	9,087
	Other payables		289,513	209,158
			13,873,336	8,371,864

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
9.1	**Workers' (Profit) Participation Fund**			
	Balance at beginning of the year		49,463	16,824
	Interest on funds utilised in the Company's business		345	218
	Allocation for the year	28	332,667	449,463
			382,475	466,505
	Payment made during the year		(339,808)	(417,042)
			42,667	49,463

9.2 Gratuity Fund

The Group operates a defined benefit plan comprising a funded gratuity scheme for its permanent employees. The fund for gratuity is administered by trustees. The Group is in the process of constituting separate gratuity fund for its newly formed subsidiaries.

		2014	2013
		(Rupees '000)	
9.2.1	**The amount recognised in the balance sheet is as follows:**		
	Present value of defined benefit obligation	574,512	466,617
	Fair value of plan assets	(376,284)	(292,964)
	Deficit	198,228	173,653
9.2.2	**The movement in the present value of defined benefit obligation is as follows:**		
	Defined benefit obligation at beginning of the year	466,617	373,646
	Current service cost	57,168	44,130
	Interest cost	57,277	41,266
	Past service cost	–	(5,278)
	Benefits paid during the year	(52,048)	(29,620)
	Actuarial loss on obligation	45,498	42,473
	Present value of defined benefit obligation at end of the year	574,512	466,617
9.2.3	**The movement in fair value of plan assets is as follows:**		
	Fair value of plan assets at beginning of the year	292,964	249,770
	Expected return on plan assets	41,191	27,020
	Contributions	99,834	42,596
	Benefits paid during the year	(52,048)	(29,620)
	Actuarial (loss) / gain on plan assets	(5,657)	3,198
	Fair value of plan assets at end of the year	376,284	292,964
9.2.4	**Plan assets comprise of:**		
	Investment in listed securities	73,669	49,698
	Investment in mutual funds	64,831	–
	Investment in term finance certificates	–	26,509
	Cash and bank balances	237,784	216,757
		376,284	292,964

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

		2014	2013
		(Rupees '000)	
9.2.5	Actual return on plan assets	35,534	30,218
	Contributions expected to be paid to the plan during the next financial year	86,960	71,932

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

		2014	2013
		(Rupees '000)	
9.2.7	**Movement in liability recognized in the balance sheet:**		
	Opening liability	173,653	123,876
	Expense for the year	68,648	53,098
	Other comprehensive income	51,155	39,275
	Contributions	(95,228)	(42,596)
	Closing liability	198,228	173,653
9.2.8	**Amount recognized in the profit and loss account is as follows:**		
	Current service cost	52,562	44,130
	Net interest	16,086	14,246
	Past service cost	–	(5,278)
		68,648	53,098
9.2.9	**The expense is recognized in the following line items in the profit and loss account:**		
	Cost of sales	50,242	41,826
	Administrative expenses	18,406	11,272
		68,648	53,098

9.2.10 **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:**

	2014	2013	2012	2011	2010
			(Rupees '000)		
Present value of defined benefit obligation	574,512	466,617	373,646	287,097	227,224
Fair value of plan assets	(376,284)	(292,964)	(249,770)	(196,583)	(143,278)
Deficit	198,228	173,653	123,876	90,514	83,946
Experience adjustments					
-on obligations - (loss)	(45,498)	(42,473)	(24,193)	(2,799)	(36,132)
-on plan assets - (loss) / gain	(5,657)	3,198	11,490	(3,090)	4,352

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

9.2.11 Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2014 are as follows:

	2014	2013
Discount rate	12.00%	13.00%
Expected rate of salary growth	12.00%	13.00%
Expected rate of return on plan assets	12.00%	13.00%
Mortality rate	SLIC-2001-2005	SLIC-2001-2005
Withdrawal factor	Low	Low

9.2.12 Sensitivity analysis

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

	Defined benefit obligation	
	1 percent increase	1 percent decrease
Effect in millions of Rupees		
Discount rate	(57.41)	67.27
Salary increase rate	69.37	(69.37)

As the actuarial estimates of mortality continue to be refined, an increase of one year in the lives shown above is considered reasonably possible in the next financial year. The effect of this change would be an increase in the defined benefit obligation by Rs. 185 thousand.The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last actuarial valuation at December 31, 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned.

	Note	2014	2013
		(Rupees '000)	
10. MARK - UP ACCRUED			
Short term borrowings		85,973	236,052
Long term loans		147,169	–
		233,142	236,052
11. SHORT TERM BORROWINGS - SECURED			
From banking companies and financial institutions	11.1	3,087,408	7,985,128
		3,087,408	7,985,128

11.1 FFBL has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs. 13,630,000 thousand (2013: Rs. 22,005,000 thousand). These facilities carry mark-up ranging from 9.90% to 10.59% per annum (2013: 9.20% to 11.19% per annum) and are secured by hypothecation of charge on current and fixed assets of FFBL. The purchase prices are repayable on various dates by FFBL.

Notes to the Consolidated Financial Statements

		2014	2013
		(Rupees '000)	
12.	**CONTINGENCIES AND COMMITMENTS**		
	Contingencies		
i)	Indemnity bonds and undertakings given to the customs authorities for machinery imported by the Group for installation at plant site.	119,650	119,650
ii)	Guarantees issued by banks on behalf of the Group.	60,692	29,698
iii)	Group's share of contingent liabilities of Fauji Cement Company Limited as at September 30, 2014.	22,250	21,764
iv)	Group's share of contingent liabilities of Foundation Wind Energy-I Limited (FWE-I) as at September 30, 2014.	62,873	69,619
v)	Group's share of contingent liabilities of Foundation Wind Energy-II (Pvt) Limited (FWE-II) as at September 30, 2014.	62,873	60,975
vi)	Group's share of contingent liabilities of Askari Bank Limited as at September 30, 2014.	34,965,631	35,378,051
	Commitments		
i)	Capital expenditures - contracted.	3,603,502	614,631
ii)	Letters of credit for purchase of raw materials and stores and spares.	1,079,418	1,759,208
iii)	Commitments with Fauji Foundation for investment in FWE-I & FWE-II.	865,078	3,022,155
iv)	Group's share of commitments of Pakistan Maroc Phosphore S.A. Morocco as at September 30, 2014.	4,623	271,442
v)	Commitments on behalf of Fauji Meat Limited.	69,916	–
vi)	Commitments on behalf of FFBL Power Company Limited.	5,390,538	–
vii)	Group's share of commitments of Fauji Cement Company Limited as at September 30, 2014.	10,785	–

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

13. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLES

	PROPERTY, PLANT AND EQUIPMENT												INTANGIBLES
	Leasehold land	Freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress (note 13.1)	Total	
	(Rupees '000)												(Rupees '000)
COST													
Balance as at January 01, 2013	213,350	120,000	2,095,390	23,479,841	8,144	270,541	74,531	156,018	2,086	326,726	323,109	27,069,736	108,205
Additions during the year	41,404	-	-	-	-	53,391	12,685	14,201	-	23,862	473,526	619,069	-
Disposals	-	-	-	-	-	(30,237)	-	(217)	-	-	-	(30,454)	-
Adjustments	-	-	(15,825)	-	15,825	-	-	-	-	-	-	-	-
Transfers	-	-	7,779	223,527	-	-	-	-	-	-	(231,306)	-	-
Balance as at December 31, 2013	254,754	120,000	2,087,344	23,703,368	23,969	293,695	87,216	170,002	2,086	350,588	565,329	27,658,351	108,205
Balance as at January 01, 2014	254,754	120,000	2,087,344	23,703,368	23,969	293,695	87,216	170,002	2,086	350,588	565,329	27,658,351	108,205
Additions during the year	-	423,794	38,124	-	9,580	134,626	12,438	17,170	49	2,490	2,556,362	3,194,633	-
Disposals	-	-	-	-	-	(48,753)	-	(241)	-	-	-	(48,994)	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	101,641	-	-	-	-	-	-	(101,641)	-	-
Balance as at December 31, 2014	254,754	543,794	2,125,468	23,805,009	33,549	379,568	99,654	186,931	2,135	353,078	3,020,050	30,803,990	108,205
DEPRECIATION													
Balance as at January 01, 2013	83,113	-	582,958	12,108,773	2,880	158,596	31,242	131,003	1,934	146,395	-	13,246,894	98,925
Additions during the year	5,660	-	62,669	1,169,636	1,967	52,299	11,629	19,679	106	53,866	-	1,377,511	9,280
Disposals	-	-	-	-	-	(25,424)	-	(139)	-	-	-	(25,563)	-
Adjustments	-	-	(197)	-	197	-	-	-	-	-	-	-	-
Balance as at December 31, 2013	88,773	-	645,430	13,278,409	5,044	185,471	42,871	150,543	2,040	200,261	-	14,598,842	108,205
Balance as at January 01, 2014	88,773	-	645,430	13,278,409	5,044	185,471	42,871	150,543	2,040	200,261	-	14,598,842	108,205
Additions during the year	7,488	-	62,894	1,181,531	2,689	54,757	12,600	12,821	40	49,029	-	1,383,849	-
Disposals	-	-	-	-	-	(42,884)	-	(81)	-	-	-	(42,965)	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2014	96,261	-	708,324	14,459,940	7,733	197,344	55,471	163,283	2,080	249,290	-	15,939,726	108,205
Written down value - 2013	165,981	120,000	1,441,914	10,424,959	18,925	108,224	44,345	19,459	46	150,327	565,329	13,059,509	-
Written down value - 2014	158,493	543,794	1,417,144	9,345,069	25,816	182,224	44,183	23,648	55	103,788	3,020,050	14,864,264	-
Rate of depreciation	2 to 4%	-	3%	5%	10%	20% to 33%	15%	33% to 50%	30%	17% to 50%	-	-	33%

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

		Note	2014	2013
			(Rupees '000)	
13.1	**Depreciation and amortization charge has been allocated to profit and loss account as follows:**			
	Cost of sales	24	1,338,780	1,360,967
	Administrative expenses	26	45,069	25,824
			1,383,849	1,386,791

			Cost	Book value	Sale proceeds
				(Rupees '000)	
13.2	**Details of property, plant and equipment sold:**				
	Vehicles				
	As per Group policy to employees				
	Lt. Gen Muhammad Zaki (Retd)		2,504	2,047	188
	Mr. Rao Jamal Hameed		1,739	1,232	1,207
	Mr. Usman Ibrahim		1,184	710	481
	Insurance claim		1,478	296	1,376
	Aggregate of other items of property, plant and equipment with individual book value below Rs. 50,000		42,089	1,745	15,544
		2014	48,994	6,030	18,796
		2013	30,454	4,891	17,716

Notes to the Consolidated Financial Statements
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		Note	2014	2013
			(Rupees '000)	
14.	**LONG TERM INVESTMENTS**			
	Investment in jointly controlled entity - equity method			
	Pakistan Maroc Phosphore S.A, Morocco (PMP)	14.1		
	Balance brought forward		2,346,725	2,225,794
	Share of profit / (loss)		368,974	(205,972)
	(Loss) / gain during the year on translation of net assets	14.1.1	(135,925)	326,903
	Closing balance		2,579,774	2,346,725
	Investment in associates - equity method			
	Fauji Cement Company Limited (FCCL)	14.2		
	Balance brought forward		358,313	351,588
	Share of profit		34,612	30,162
	Dividend		(28,125)	(23,437)
	Closing balance		364,800	358,313
	Foundation Wind Energy - I Limited (FWE-I)	14.3		
	Opening balance		923,941	329,390
	Advance paid during the year against issue of shares		189,042	603,664
	Share of loss		(10,631)	(9,113)
	Closing balance		1,102,352	923,941
	Foundation Wind Energy - II (Pvt) Limited (FWE-II)	14.4		
	Opening balance		971,100	620,290
	Advance paid during the year against issue of shares		180,461	357,546
	Share of loss		(1,653)	(6,736)
	Closing balance		1,149,908	971,100
	Askari Bank Limited (AKBL)	14.5		
	Opening balance		5,262,054	5,230,990
	Share of profit		353,990	28,302
	Dividend		(271,884)	–
	Effect of translation (loss) / gain		(1,479)	2,762
	Closing balance		5,342,681	5,262,054
	Investment - available for sale - unquoted			
	Arabian Sea Country Club Limited (ASCCL)	14.6		
	300,000 ordinary shares of Rs. 10 each		3,000	3,000
	Less: Impairment in value of investment		3,000	3,000
			–	–
			10,539,515	9,862,133

14.1 Cost of this investment in Moroccan Dirhams is 200,000 thousand made from 2004 to 2006 which represents 25% interest in Pakistan Maroc Phosphore S.A. Morocco (PMP), a joint venture between the Group, 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.

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According to the shareholders' agreement, if any legal restrictions 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 This represents FFBL's share of translation reserve of PMP. This has arisen due to movement in exchange rate parity between the Moroccan Dirham and Pak Rupee.

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

	September 2014	September 2013	September 2014	September 2013	September 2014	September 2013	September 2014	September 2013
	PMP (Jointly controlled entity)		FCCL (Associate)		Foundation Wind Energy-I Ltd (Associate)		Foundation Wind Energy-II (Pvt) Ltd (Associate)	
	(Rupees '000)							
Non - current assets	12,349,639	13,443,352	24,565,589	24,936,763	11,278,419	2,948,237	11,410,753	4,605,271
Non - current liabilities	(2,685,606)	(4,503,080)	(9,891,848)	(9,979,584)	(7,777,238)	(3,665,128)	(8,476,788)	(3,378,073)
Current assets	11,547,107	10,725,957	6,102,755	6,198,785	505,149	2,626,997	1,132,210	1,474,521
Current liabilities	(10,892,064)	(10,279,349)	(5,360,220)	(6,269,133)	(1,159,301)	(86,422)	(996,181)	(299,295)
Revenue for the period	22,606,398	21,834,051	13,587,337	12,405,612	(2,598)	10,996	(14,189)	18,414
Expenses for the period	(21,702,795)	(22,438,397)	(11,610,357)	(10,648,831)	(30,453)	(34,415)	(12,123)	(38,424)
Profit / (loss) for the period	903,603	(604,346)	1,976,980	1,756,781	(33,051)	(23,419)	(26,312)	(20,010)

Financial statements for the period ended September 30, 2014 have been used for accounting under equity method as these were the latest approved financial statements. Further, results of operations of last quarter of 2013 have also been considered for equity accounting.

14.2 FFBL holds 1.36% equity interest in Fauji Cement Company Limited (FCCL) which is less than 20%, however it is concluded that FFBL has significant influence due to its representation on the Board of Directors of FCCL. Fair value of investment in FCCL as at December 31, 2014 was Rs. 484,500 thousand (2013: Rs. 299,063 thousand). FFBL is committed not to dispose off its investment in FCCL so long \as the loan extended to FCCL by Faysal Bank Limited (formerly Royal Bank of Scotland), remains outstanding or without prior consent of FCCL.

14.3 This represents investment made in Foundation Wind Energy - I Limited (FWE-I), a company established for setting up 49.5 MW wind power plant. Pursuant to share holders agreement dated March 08, 2011 FFBL will eventually hold 35% shareholding. Break up value of shares based on unaudited financial information for period ended September 30, 2014 is Rs. 8.47 per share. However, the project is in construction phase and FWE-I is expected to achieve commercial operation in first quarter of 2015.

14.4 This represents investment made in Foundation Wind Energy - II (Private) Limited (FWE-II), a company established for setting up 49.5 MW wind power plant. Pursuant to share holders agreement dated March 08, 2011 FFBL will eventually hold 35% shareholding. Break up value of shares based on unaudited financial information for period ended September 30, 2014 is Rs. 87.97 per share. FWE-II has achieved commercial operation in December 2014.

14.5 This represents 21.57% share in the equity of Askari Bank Limited (AKBL) representing 271,884 thousand ordinary shares of Rs. 10 each acquired at an average price of Rs. 19.24 per share. Market value of investment in AKBL as at December 31, 2014 was Rs. 6,272,364 thousand (2013: Rs. 3,806,376 thousand).

Notes to the Consolidated Financial Statements
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Summarized financial statements of Askari Bank Limited as at September 30, 2014 is as follows:

	Assets	Liabilities	Profit / (Loss) before tax	Profit / (Loss) after tax
2014 (Rupees, million)	409,895	389,615	4,485	3,170
2013 (Rupees, million)	356,219	337,513	(6,047)	(3,849)

The reporting date of Askari Bank Limited is December 31st. For the purpose of applying equity method accounting, assets, liabilities and profit and loss account are based on the un-audited consolidated condensed interim financial statements for the period ended September 30, 2014.

14.6 FFBL holds 300,000 ordinary shares of Rs. 10 each representing equity interest of 3.87% in Arabian Sea Country Club Limited. Breakup value based on audited accounts for the year ended June 30, 2014 was Re. 0.70 per ordinary share (June 30, 2013: Rs. 4.39). This investment is fully impaired.

	2014	2013
	(Rupees '000)	
15. STORES AND SPARES		
Stores	396,431	347,310
Spares	2,119,264	1,925,733
Provision for obsolescence	(165,550)	(165,550)
	2,350,145	2,107,493
16. STOCK IN TRADE		
Packing materials	56,089	62,443
Raw materials	804,109	138,592
Raw materials in transit	315,805	353,690
Work in process	103,341	26,936
Finished goods	277,952	547,596
	1,557,296	1,129,257
17. TRADE DEBTS		
Secured - considered good	1,468,373	1,603,643
	1,468,373	1,603,643
18. ADVANCES		
Advances to:		
- Executives, unsecured considered good	1,572	840
- Other employees, unsecured considered good	75,891	57,553
Advances to suppliers and contractors		
- Considered good	815,319	519,573
	892,782	577,966
19. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Security deposits	7,177	4,362
Prepayments	21,512	25,515
	28,689	29,877

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		Note	2014	2013
			(Rupees '000)	
20.	**OTHER RECEIVABLES**			
	Due from the Fauji Fertilizer Company Limited			
	- unsecured, considered good	20.1	173,420	572,623
	Other receivables			
	- Considered good		39,415	121,149
			212,835	693,772

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

		Note	2014	2013
			(Rupees '000)	
21.	**SHORT TERM INVESTMENTS**			
	Loans and receivables			
	Term deposits with banks and financial institutions		1,430,000	1,200,000
	Investments at fair value through profit or loss - held for trading			
	Money market funds		7,800,117	4,123,136
			9,230,117	5,323,136
22.	**CASH AND BANK BALANCES**			
	Deposit accounts - in local currency	22.1	5,099,967	2,141,364
	- in foreign currency		1,956	2,055
			5,101,923	2,143,419
	Current accounts		371,501	335,582
	Cash in hand		824	547
			5,474,248	2,479,548

22.1 This includes Rs. 143,770 thousand (2013: Rs. 241,163 thousand) held under lien by the commercial banks against various facilities.

		Note	2014	2013
			(Rupees '000)	
23.	**SALES**			
	Gross Sales		58,293,148	63,651,722
	Less:			
	Sales tax		8,829,450	9,176,575
	Commission to Fauji Fertilizer Company Limited	23.1	18,442	19,979
			8,847,892	9,196,554
			49,445,256	54,455,168

23.1 Commission is paid @ Re.1 per bag sold by Fauji Fertilizer Company Limited, based on inter company services agreement.

Notes to the Consolidated Financial Statements
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		Note	2014	2013
			(Rupees '000)	
24.	**COST OF SALES**			
	Raw materials consumed		29,984,717	30,780,637
	Packing materials consumed		587,871	581,779
	Fuel and power		2,860,257	2,482,308
	Chemicals and supplies consumed		226,404	273,580
	Salaries, wages and benefits	24.1	1,727,094	1,720,439
	Rent, rates and taxes		75,995	23,315
	Insurance		99,719	101,317
	Travel and conveyance		167,668	148,881
	Repairs and maintenance		926,362	889,883
	Communication, establishment and other expenses		165,197	146,477
	Depreciation	13.1	1,338,780	1,360,967
	Opening stock - work in process		26,936	13,615
	Closing stock - work in process		(103,341)	(26,936)
	Cost of goods manufactured		38,083,659	38,496,262
	Opening stock - finished goods		547,596	1,993,998
	Closing stock - finished goods		(277,952)	(547,596)
	Cost of sales		38,353,303	39,942,664

24.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 50,242 thousand, Rs. 37,089 thousand and Rs. 52,194 thousand respectively. (2013: Rs. 41,826 thousand, Rs. 36,156 thousand and Rs. 116,353 thousand respectively).

		Note	2014	2013
			(Rupees '000)	
25.	**SELLING AND DISTRIBUTION EXPENSES**			
	Product transportation		2,398,200	2,572,092
	Expenses charged by Fauji Fertilizer Company Limited	25.1		
	Salaries, wages and benefits		625,900	603,359
	Rent, rates and taxes		54,447	59,729
	Technical services		5,658	5,645
	Travel and conveyance		82,451	80,343
	Sales promotion and advertising		38,160	33,424
	Communication, establishment and other expenses		70,255	63,252
	Warehousing expenses		23,086	22,326
	Depreciation		16,017	12,369
			915,974	880,447
			3,314,174	3,452,539

25.1 This represents common expenses charged by Fauji Fertilizer Company Limited on account of marketing of FFBL's products based on an inter company services agreement.

Notes to the Consolidated Financial Statements
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	Note	2014	2013
		(Rupees '000)	
26. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	26.1	873,108	657,376
Travel and conveyance		154,584	182,578
Utilities		11,062	7,812
Printing and stationery		11,981	9,605
Repairs and maintenance		19,880	9,522
Communication, advertisement and other expenses		56,289	28,106
Rent, rates and taxes		19,404	15,207
Listing fee		1,381	1,364
Donations	26.2	70,109	47,000
Legal and professional		43,369	33,404
Depreciation	13.1	45,069	25,824
Miscellaneous		53,236	36,979
		1,359,472	1,054,777

26.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 18,406 thousand, Rs. 17,212 thousand and Rs. 24,304 thousand respectively (2013: Rs. 11,272 thousand, Rs. 13,113 thousand and Rs. 37,881 thousand respectively).

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

Particulars of project	Address	2014	2013
		(Rupees '000)	
Fauji Foundation (FF)	Tipu Road, Rawalpindi	–	10,000

The interest of the following Directors of the Group 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

	2014	2013
	(Rupees '000)	
27. FINANCE COST		
Mark-up on short term borrowings	933,193	1,112,322
Mark-up on long term finance	330,984	–
Interest on Workers' (Profit) Participation Fund	345	218
Bank charges	32,253	26,412
Exchange loss	16,181	375,979
	1,312,956	1,514,931

Notes to the Consolidated Financial Statements

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	Note	2014	2013
		(Rupees '000)	
28. OTHER OPERATING EXPENSES			
Workers' (Profit) Participation Fund	9.1	332,667	449,463
Workers' Welfare Fund		116,986	178,121
Auditor's remuneration			
Fees - annual audit		1,580	1,075
Fees - half yearly review		100	100
Other certification & services		718	600
Out of pocket expenses		185	115
		2,583	1,890
		452,236	629,474
29. OTHER INCOME			
Income from financial assets			
Profit on bank balances and term deposits		277,873	401,538
Dividend on investment in money market funds		171,102	224,738
Gain on sale of investments		268,977	6,223
		717,952	632,499
Income from assets other than financial assets			
Scrap sales and miscellaneous receipts		65,361	12,124
Gain on sale of property, plant and equipment		12,766	12,825
Others		(2,233)	–
		75,894	24,949
		793,846	657,448
30. TAXATION			
Current		1,974,479	3,091,592
Deferred		(179,005)	(342,925)
		1,795,474	2,748,667

	2014		2013	
	(Rupees '000)	%	(Rupees '000)	%
30.1 Reconciliation of tax charge for the year:				
Profit before tax	6,192,252		8,354,876	
Tax on profit	2,043,443	33.00	2,840,658	34.00
Tax effect of lower rate on certain income / expenses	(244,147)	(3.94)	(90,826)	(1.09)
Tax effect of exempt income / permanent differences	(3,822)	(0.06)	(1,165)	(0.01)
	1,795,474	29.00	2,748,667	32.90

Notes to the Consolidated Financial Statements
for the year ended December 31, 2014

		2014	2013
31.	**EARNINGS PER SHARE - BASIC AND DILUTED**		
	Profit after taxation (Rupees '000)	4,396,778	5,606,209
	Weighted average number of ordinary shares in issue during the year (thousand)	934,110	934,110
	Earnings per share - basic and diluted (Rupees)	4.71	6.00

There is no dilutive effect on the basic earnings per share of the Group for the year 2014.

		Note	2014	2013
			(Rupees '000)	
32.	**CASH GENERATED FROM OPERATIONS**			
	Profit before taxation		6,192,252	8,354,876
	Adjustments for:			
	Provision for Gratuity		68,648	53,098
	Exchange loss		16,181	375,979
	Provision for compensated absences		76,498	154,234
	Provision for Workers' (Profit) Participation Fund	9.1	332,667	449,463
	Provision for Workers' Welfare Fund		116,986	178,121
	Depreciation	13.1	1,383,849	1,386,791
	Finance cost		1,296,775	1,138,952
	Gain on investments including dividend received		(440,079)	(230,961)
	Share of (profit) / loss of jointly controlled entities and associates		(745,291)	163,356
	Profit on bank balances and term deposits		(277,873)	(401,521)
	Gain on sale of property, plant and equipment		(12,766)	(12,825)
	Operating profit before working capital changes		8,007,847	11,609,563
	Changes in working capital			
	Stores and spares		(242,652)	(96,011)
	Stock in trade		(428,039)	3,747,048
	Trade debts		135,270	865,432
	Advances		(314,816)	(124,903)
	Trade deposits and short term prepayments		1,188	(6,236)
	Other receivables		480,937	2,289,295
	Sales tax refundable		(572,900)	(124,234)
	Trade and other payables		5,366,394	(3,707,864)
			4,425,382	2,842,527
			12,433,229	14,452,090

Notes to the Consolidated Financial Statements
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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 Group are given below:

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	12,525	129,791	12,004	92,600
Bonus	2,065	86,771	6,923	69,178
Contributory provident fund	560	5,514	632	4,391
Others	7,129	39,756	6,767	48,748
	22,279	261,832	26,326	214,917
No. of person (s)	1	24	1	19

The above are provided medical facilities. Chief executive and certain executives are also provided with the Group's maintained vehicles and household equipment and other benefits in accordance with the Group'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. 3,725 thousand (2013: Rs. 7,172 thousand) on separation in accordance with the Group's policy.

In addition, the other directors of the Group are paid meeting fee aggregating Rs. 8,325 thousand (2013: Rs. 6,825 thousand). No remuneration was paid to directors of the Group (2013: Rs Nil). The number of directors of the Group was 16 (2013:12).

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 Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group 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 Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. 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.

Notes to the Consolidated Financial Statements
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34.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party 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:

	2014	2013
	(Rupees '000)	
Trade debts	1,468,373	1,603,643
Deposits	85,820	83,005
Interest accrued	17,633	19,729
Other receivables - net of provision	514,225	705,513
Short term investments	9,230,117	5,323,136
Bank balances	5,473,424	2,476,986
	16,789,592	10,212,012

Geographically there is no concentration of credit risk.

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

The Group's most significant amount receivable is from Fauji Fertilizer Company Limited which amounts to Rs. 173,420 thousand (2013: Rs. 572,623 thousand) 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 Group has placed funds in financial institutions with high credit ratings. The Group assesses the credit quality of the counter parties as satisfactory. The Group does not hold any collateral as security against any of its financial assets other than trade debts.

The Group 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 Group only has placed funds in the banks with high credit ratings, management does not expect any counter party to fail to meet its obligations.

Impairment losses

As at the reporting date trade receivables of Rs. Nil (2013: Rs Nil) were over-due. Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts.

The Group has recorded an impairment loss of Rs. 3,000 thousand (2013: 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 Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation. The management uses different methods which assists it in monitoring cash flow requirements and optimizing the return on investments. Typically the Group 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 Group maintains lines of credit as mentioned in note 11 to the financial statements.

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

2014	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Long term loans	10,147,168	10,147,168	–	–	1,547,592	8,599,576	–
Deferred Government assistance	1,944,600	1,944,600	1,944,600	–	–	–	–
Trade and other payables	12,115,424	12,115,424	12,115,424	–	–	–	–
Short term borrowings including mark-up	3,173,382	3,173,382	3,173,382	–	–	–	–
	27,380,574	27,380,574	17,233,406	–	1,547,592	8,599,576	–

2013	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
				(Rupees '000)			
Deferred Government assistance	2,592,801	2,592,801	2,008,682	-	584,119	-	-
Trade and other payables	7,835,565	7,835,565	7,835,565	-	-	-	-
Short term borrowings including mark-up	8,221,180	8,221,180	8,221,180	-	-	-	-
	18,649,546	18,649,546	18,065,427	-	584,119	-	-

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 11.1 to these financial statements.

34.3 Market risk

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

34.3.1 Currency risk

Exposure to Currency Risk

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

	2014		2013	
	(Rupees '000)	(US Dollars '000)	(Rupees '000)	(US Dollars '000)
Bank balances	1,955	19	2,055	19
Creditors	(5,672,230)	(56,384)	(3,347,101)	(31,651)
Net exposure	(5,670,275)	(56,365)	(3,345,046)	(31,632)

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rates (Bid-offer average)	
	2014	2013	2014	2013
US Dollars	101.09	101.99	100.60	105.75

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31st December would have increased profit and loss by Rs. 567,031 thousand (2013 : Rs. 334,505 thousand). A 10% weakening of the functional currency against USD at 31st 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 Group's interest bearing financial instruments is:

	Carrying Amount	
	2014	2013
	(Rupees '000)	
Fixed rate instruments		
Financial assets	1,430,000	1,200,000
Financial liabilities	1,750,000	7,350,000
Variable rate instruments		
Financial assets	4,672,344	2,141,404
Financial liabilities	1,337,407	635,128

Fair value sensitivity analysis for fixed rate instruments

The Group 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 2013.

	Profit or loss	
	100 basis point increase	100 basis point decrease
	(Rupees '000)	
December 31, 2014		
Cash flow sensitivity - Variable rate instruments	56,618	56,618
December 31, 2013		
Cash flow sensitivity - Variable rate instruments	5,894	5,894

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. 78,001 (2013: Rs. 41,231).

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34.4 Fair values

Fair value versus carrying amounts

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

	Note	December 31, 2014 Carrying amount	December 31, 2014 Fair value	December 31, 2013 Carrying amount	December 31, 2013 Fair value
		(Rupees '000)			
Assets carried at amortized cost					
Trade debts	17	1,468,373	1,468,373	1,603,643	1,603,643
Deposits		85,820	85,820	83,005	83,005
Interest accrued		17,633	17,633	19,729	19,729
Other receivables - net of provision	20	514,225	514,225	705,513	705,513
Short term investments - loans and receivables	21	1,430,000	1,430,000	1,200,000	1,200,000
Cash and bank balances	22	5,474,248	5,474,248	2,477,533	2,477,533
		8,990,299	8,990,299	6,089,423	6,089,423
Assets carried at fair value					
Short term investments - Investments at fair value through profit or loss	21	7,800,117	7,800,117	4,123,136	4,123,136
Liabilities carried at amortized cost					
Long term loans	6	10,147,168	10,147,168	2,592,801	2,592,801
Deferred Government assistance	7	1,944,600	1,944,600	7,835,565	7,835,565
Trade and other payables	9	12,115,424	12,115,424	8,221,180	8,221,180
		24,207,192	24,207,192	18,649,546	18,649,546

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. The interest rate used to determine fair value of GoP loan is 10% (2013: 10.80%). 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, 2014			
Assets carried at fair value			
Short term investments - investment in mutual funds	7,800,117	–	–
December 31, 2013			
Assets carried at fair value			
Short term investments - investment in mutual funds	4,123,136	–	–

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

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

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

Investment in associates

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

34.6 Capital management

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

The Group has long term loan facilities aggregating to Rs. 10,000,000 thousand (2013: Rs. Nil). These are secured against ranking charge over current and fixed assets of FFBL and carry mark-up ranging between 10.34% to 10.68% per annum (2013: Nil).

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35. RELATED PARTY TRANSACTIONS

The Group 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. Balances and transactions between the Holding Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

	2014	2013
	(Rupees '000)	
Transactions with associated undertakings due to common directorship		
Services and material acquired	925,567	890,708
Services and material provided	7,550	10,889
Collections	59,182,502	66,026,408
Commission charged to the Company	18,442	19,979
Dividend paid - net	2,546,937	3,183,671
Rent charged to the Company	1,339	1,240
Balance receivable at the year end - unsecured	173,420	572,623
Investment in Wind Power Projects	369,503	961,210
Investment in Askari Bank Limited (AKBL)	1	5,230,990
Transactions with jointly controlled entity		
Purchase of raw materials	24,697,427	23,168,097
Expenses incurred on behalf of jointly controlled entity	20,008	14,933
Balance payable at the year end - secured (included in note 9)	5,745,925	3,370,005
Balance receivable at the year end - unsecured (included in note 20)	37,526	19,989
Other related parties		
Contribution to Provident Fund	54,301	49,269
Payment to Gratuity Fund	95,228	42,596
Payment to Workers' (Profit) Participation Fund	339,807	417,042
Balance payable at the year end (WPPF+WWF) - unsecured	1,096,074	998,559
Payable to Gratuity Fund	198,228	173,653
Remuneration of key management personnel	30,604	33,151

36. OPERATING SEGMENT RESULTS

	Fertilizer		Meat		Food		Power		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees '000)		(Rupees '000)		(Rupees '000)		(Rupees '000)		(Rupees '000)	
Sales	49,445,256	54,455,168	-	-	-	-	-	-	49,445,256	54,455,168
Cost of Sales	(38,353,303)	(39,942,664)	-	-	-	-	-	-	(38,353,303)	(39,942,664)
Gross Profit	11,091,953	14,512,504	-	-	-	-	-	-	11,091,953	14,512,504
Administrative and distribution expenses	(4,631,713)	(4,500,576)	(14,299)	-	(6,795)	(6,740)	(21,070)	-	(4,673,877)	(4,507,316)
Finance cost / (income)	(1,312,943)	(1,514,930)	(11)	-	(1)	(1)	-	-	(1,312,955)	(1,514,931)
Other Expenses	(451,657)	(629,399)	(175)	-	(175)	(75)	-	-	(452,007)	(629,474)
Other Income	762,765	657,431	28,473	-	2,581	17	28	-	793,847	657,448
Share in profit of equity accounted investments	745,291	(163,355)	-	-	-	-	-	-	745,291	(163,355)
Net profit / (loss) before taxation	6,203,696	8,361,675	13,988	-	(4,390)	(6,799)	(21,042)	-	6,192,252	8,354,876
Provision for taxation	(1,794,384)	(2,748,661)	(1,096)	-	6	(6)	-	-	(1,795,474)	(2,748,667)
Net profit / (loss) after taxation	4,409,312	5,613,014	12,892	-	(4,384)	(6,805)	(21,042)	-	4,396,778	5,606,209
Depreciation and amortization	1,381,801	1,386,790	828	-	47	-	1,176	-	1,383,852	1,386,790
Capital expenditure	530,994	619,069	164,233	-	270,633	-	9,997	-	975,857	619,069
Segment assets										
Property, plant and equipment	12,202,673	13,059,509	1,069,325	-	270,586	-	1,321,680	-	14,864,264	13,059,509
Stores, spares and loose tools	2,337,205	2,107,493	-	-	-	-	12,940	-	2,350,145	2,107,493
Stock in trade	1,557,296	1,129,257	-	-	-	-	-	-	1,557,296	1,129,257
Trade debts	1,466,063	1,603,643	-	-	2,310	-	-	-	1,468,373	1,603,643
Cash and bank balances	5,044,669	2,477,533	427,702	1,000	1,279	1,015	598	-	5,474,248	2,479,548
Total segment assets	22,607,906	20,377,435	1,497,027	1,000	274,175	1,015	1,335,218	-	25,714,326	20,379,450
Segment liabilities										
Long term borrowings	10,000,000	584,119	-	-	-	-	-	-	10,000,000	584,119
Short term borrowings	3,087,408	7,985,128	-	-	-	-	-	-	3,087,408	7,985,128
Trade and other payables	13,571,369	8,380,950	301,562	-	175	-	230	-	13,873,337	8,371,864
Total segment liabilities	26,658,777	16,950,197	301,562	-	175	-	230	-	26,960,744	16,941,111

Notes to the Consolidated Financial Statements
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		Note	2014	2013
			(Rupees '000)	
36.1	**Reconciliation of reportable segment assets and liabilities**			
	Assets			
	Total assets for reportable segments		25,714,326	20,379,450
	Intangible assets		–	–
	Equity accounted investments		10,539,515	9,862,133
	Interest accrued		17,633	19,729
	Long term deposits and prepayments		78,643	78,643
	Short term loans and advances		892,782	577,966
	Short term deposits and prepayments		28,689	29,877
	Other receivables		212,835	693,772
	Short term investments		9,230,117	5,323,136
	Sales tax refundable		763,591	190,691
	Total assets		47,478,131	37,155,397
	Liabilities			
	Total liabilities for reportable segments		26,960,744	16,941,111
	Deferred liabilities		3,317,192	3,460,397
	Interest and mark-up accrued		233,142	236,052
	Taxation - net		769,102	727,583
	Current portion of deferred Government assistance		1,944,600	2,008,682
	Total Liabilities		33,224,780	23,373,825

36.2 There were no major customers of the Group which formed part of 10 per cent or more of the Group's revenue.

		2014	2013
		(Rupees '000)	
37.	**EMPLOYEES PROVIDENT FUND TRUST**		
	Size of the Fund	1,147,695	998,765
	Cost of investments made	995,323	860,401
	Fair value of investments	1,093,914	952,998
	Percentage of investments made	95.31%	95.42%

Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

37.1 Breakup of investments is as follows:

	2014		2013	
	(Rupees '000)	(%)	(Rupees '000)	(%)
Shares	218,787	21.98	193,797	22.52
Mutual funds	212,367	21.34	50,095	5.83
Bank deposits	564,169	56.68	616,509	71.65
	995,323	100.00	860,401	100.00

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

38. GENERAL

	2014	2013
	(Tonnes)	
38.1 Production capacity		
Design capacity		
Urea	551,100	551,100
DAP	650,000	650,000
Actual production		
Urea	213,163	224,477
DAP	701,841	744,436

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

	(Numbers)	
38.2 Number of persons employed		
Employees on year end	1,433	1,178
Average employees during the year	1,274	1,110

38.3 Figures have been rounded off to the nearest thousand rupees.

38.4 The Board of Directors of FFBL in their meeting held on January 29, 2015 have proposed a final dividend of Rs. 2.25 per ordinary share.

38.5 These consolidated financial statements were authorized for issue by the Board of Directors of FFBL in their meeting held on January 29, 2015.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

Pattern of Shareholding
as at December 31, 2014

Pattern of Shareholding	Number of Shares
1. Associated Companies, Undertaking and Related Parties	
Fauji Fertilizer Company Limited	465,891,896
Fauji Foundation	170,842,386
No other associated undertaking held any investment in FFBL except as mentioned above	
2. NIT and ICP	
National Bank of Pakistan Trustee Deptt	1,599,958
IDBP (ICP UNIT)	500
CDC - Trustee National Investment (UNIT) Trust	445,935
CDC - Trustee NIT-Equity Market Opportunity Fund	1,186,689
3. Directors, CEO and their spouses and minor children	
Lt Gen Muhammad Mustafa Khan, HI(M), (Retd)	1
Lt Gen Muhammad Haroon Aslam, HI(M), (Retd)	1
Lt Gen Naeem Khalid Lodhi, HI(M), (Retd)	1
Mr Qaiser Javed	1
Dr Nadeem Inayat	1
Maj Gen Syed Shahid Jamal, HI(M), (Retd)	1
Maj Gen Muhammad Farooq (Retd)	1
Maj Gen Nasir Mahmood (Retd)	1
Brig Muhammad Saeed Khan, (Retd)	1
Mr Naved A. Khan	500
Mr Nasier A. Sheikh	3500
Dr Rashid Bajwa	500
4. Company Executives	54,303
5. Public Sector Companies and Corporations	NIL
6. Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	23,488,334
7. Shareholders holding ten percent or more voting interest	
Fauji Fertilizer Company Limited	465,891,896
Fauji Foundation	170,842,386

Pattern of Shareholding

as at December 31, 2014

Number of Shareholders	Shareholdings From		Shareholdings To	Number of Shares Held
951	1	-	100	49,164
3630	101	-	500	1,640,810
2546	501	-	1,000	2,089,664
3647	1,001	-	5,000	10,357,849
1206	5,001	-	10,000	9,699,973
493	10,001	-	15,000	6,356,612
318	15,001	-	20,000	5,825,224
226	20,001	-	25,000	5,300,873
144	25,001	-	30,000	4,116,865
97	30,001	-	35,000	3,224,134
106	35,001	-	40,000	4,087,221
47	40,001	-	45,000	2,023,786
130	45,001	-	50,000	6,413,601
58	50,001	-	55,000	3,077,837
37	55,001	-	60,000	2,168,216
38	60,001	-	65,000	2,413,632
20	65,001	-	70,000	1,357,503
26	70,001	-	75,000	1,940,559
25	75,001	-	80,000	1,965,034
17	80,001	-	85,000	1,402,272
17	85,001	-	90,000	1,514,564
10	90,001	-	95,000	928,065
51	95,001	-	100,000	5,077,593
9	100,001	-	105,000	924,820
14	105,001	-	110,000	1,519,838
8	110,001	-	115,000	910,580
6	115,001	-	120,000	704,800
7	120,001	-	125,000	873,000
4	125,001	-	130,000	513,251
5	130,001	-	135,000	672,294
4	135,001	-	140,000	553,172
6	140,001	-	145,000	861,500
18	145,001	-	150,000	2,688,148
6	150,001	-	155,000	922,564
3	155,001	-	160,000	476,000
4	160,001	-	165,000	656,912
4	165,001	-	170,000	672,000
2	170,001	-	175,000	345,608
3	175,001	-	180,000	533,829
4	180,001	-	185,000	732,400
4	185,001	-	190,000	752,608
2	190,001	-	195,000	383,652
16	195,001	-	200,000	3,200,000
1	200,001	-	205,000	203,673
3	205,001	-	210,000	625,500
1	210,001	-	215,000	215,000
4	215,001	-	220,000	874,000
3	220,001	-	225,000	668,395

Pattern of Shareholding
as at December 31, 2014

Number of Shareholders	Shareholdings From		Shareholdings To	Number of Shares Held
1	225,001	-	230,000	230,000
1	230,001	-	235,000	232,000
1	235,001	-	240,000	237,500
1	240,001	-	245,000	245,000
4	245,001	-	250,000	1,000,000
1	250,001	-	255,000	252,262
1	255,001	-	260,000	257,000
2	260,001	-	265,000	530,000
1	265,001	-	270,000	269,115
1	275,001	-	280,000	278,377
1	280,001	-	285,000	284,378
1	285,001	-	290,000	287,976
4	295,001	-	300,000	1,198,414
1	300,001	-	305,000	301,080
1	305,001	-	310,000	306,000
4	310,001	-	315,000	1,254,419
1	320,001	-	325,000	324,000
2	330,001	-	335,000	661,161
4	335,001	-	340,000	1,352,304
3	345,001	-	350,000	1,048,500
3	350,001	-	355,000	1,060,000
1	360,001	-	365,000	361,000
2	365,001	-	370,000	735,038
1	375,001	-	380,000	380,000
1	380,001	-	385,000	385,000
5	395,001	-	400,000	1,997,120
2	400,001	-	405,000	803,000
1	410,001	-	415,000	410,500
2	415,001	-	420,000	836,000
1	420,001	-	425,000	421,500
1	425,001	-	430,000	429,000
1	435,001	-	440,000	439,500
1	440,001	-	445,000	445,000
1	445,001	-	450,000	445,935
1	470,001	-	475,000	471,860
1	475,001	-	480,000	478,000
1	485,001	-	490,000	485,873
1	490,001	-	495,000	491,685
6	495,001	-	500,000	2,996,011
1	500,001	-	505,000	503,951
1	530,001	-	535,000	535,000
1	535,001	-	540,000	540,000
3	545,001	-	550,000	1,649,250
1	600,001	-	605,000	602,000
1	610,001	-	615,000	613,500
2	615,001	-	620,000	1,239,420
1	635,001	-	640,000	638,200
1	645,001	-	650,000	648,000

Pattern of Shareholding
as at December 31, 2014

Number of Shareholders	Shareholdings From		Shareholdings To	Number of Shares Held
1	670,001	-	675,000	675,000
2	720,001	-	725,000	1,448,000
1	735,001	-	740,000	737,500
1	765,001	-	770,000	770,000
3	795,001	-	800,000	2,398,400
1	810,001	-	815,000	811,000
1	820,001	-	825,000	825,000
1	840,001	-	845,000	841,000
1	860,001	-	865,000	862,000
1	895,001	-	900,000	900,000
2	995,001	-	1,000,000	2,000,000
1	1,020,001	-	1,025,000	1,022,500
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	1,186,689
1	1,210,001	-	1,215,000	1,210,635
1	1,390,001	-	1,395,000	1,391,500
1	1,395,001	-	1,400,000	1,400,000
1	1,470,001	-	1,475,000	1,475,000
1	1,500,001	-	1,505,000	1,500,500
1	1,505,001	-	1,510,000	1,509,000
2	1,595,001	-	1,600,000	3,198,899
1	1,665,001	-	1,670,000	1,669,500
1	1,745,001	-	1,750,000	1,749,500
1	1,765,001	-	1,770,000	1,769,474
1	1,890,001	-	1,895,000	1,892,000
1	1,915,001	-	1,920,000	1,917,500
2	1,920,001	-	1,925,000	3,848,149
1	1,935,001	-	1,940,000	1,936,906
1	2,245,001	-	2,250,000	2,250,000
1	2,380,001	-	2,385,000	2,382,553
1	2,645,001	-	2,650,000	2,650,000
1	2,795,001	-	2,800,000	2,798,173
2	2,895,001	-	2,900,000	5,794,078
1	3,150,001	-	3,155,000	3,154,500
1	3,375,001	-	3,380,000	3,378,527
1	3,520,001	-	3,525,000	3,523,264
1	4,545,001	-	4,550,000	4,549,275
1	7,280,001	-	7,285,000	7,283,487
1	9,340,001	-	9,345,000	9,341,100
1	13,925,001	-	13,930,000	13,926,000
1	20,780,001	-	20,785,000	20,781,785
1	45,495,001	-	45,500,000	45,499,000
1	161,500,001	-	161,505,000	161,501,286
1	465,890,001	-	465,895,000	465,891,896
14,114				934,110,000

Category wise Shareholding
as at December 31, 2014

Sr No	Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
1	Individuals	13777	136,179,575	14.58
2	Charitable Trusts	25	180,296,637	19.30
3	Cooperative Societies	3	23,304	0.00
4	Financial Institutions	25	73,322,622	7.85
5	Insurance Companies	13	9,865,269	1.06
6	Investment Companies	8	2,987,606	0.32
7	Joint Stock Companies	142	475,925,307	50.95
8	Modarabas	5	379,500	0.04
9	Mutual Fund	29	10,255,959	1.10
10	Foreigners	34	9,471,546	1.01
11	Others	53	35,402,675	3.79
	Total	**14114**	**934,110,000**	**100.00**

Financial Calendar

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

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

Annual General Meeting	March 26, 2015
First Quarter ending March 31, 2015	Last week of April 2015
Second Quarter ending June 31, 2015	Last week of July 2015
Third Quarter ending September 30, 2015	Last week of October 2015
Year ending December 31, 2015	Last week of January 2016

Note

Form of Proxy

21st 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 21st Annual General Meeting of the Company to be held on 26th March 2015 and / or any adjournment thereof.

In witness thereof I / We have signed and set my / our hands seal thereon this ______________
day of __________ 2015 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.

Consolidated Financial Statements
These include financial statements of FFBL and its subsidiaries i.e. Fauji Meat Limited, Fauji Foods Limited and FFBL Power Company Limited as per IFRS 10.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Abbreviations

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