

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

Corporate Report



Key Performance Indicators

KPIs			2010	2009	10 vs 09
Sales revenue	(Rs in million)	▲	44,874	36,163	8,711
Profit after tax	(Rs in million)	▲	11,029	8,823	2,206
Earnings per share	(Rs per share)	▲	16.25	13.00	3.25
Dividend per share	(Rs per share)	▲	15.50	14.15	1.35
Shareholders' equity	(Rs in million)	▲	15,447	13,082	2,365
Return on equity	(%)	▲	71.40	67.44	3.96
Current ratio		▶	0.84	0.84	–
Debt : Equity ratio		▲	20:80	26:74	6
Market capitalisation	(Rs in million)	▲	85,396	69,841	15,555
Interest cover		▲	16.00	14.82	1.18
Market share	(%)	▲	49.1	47.6	1.5

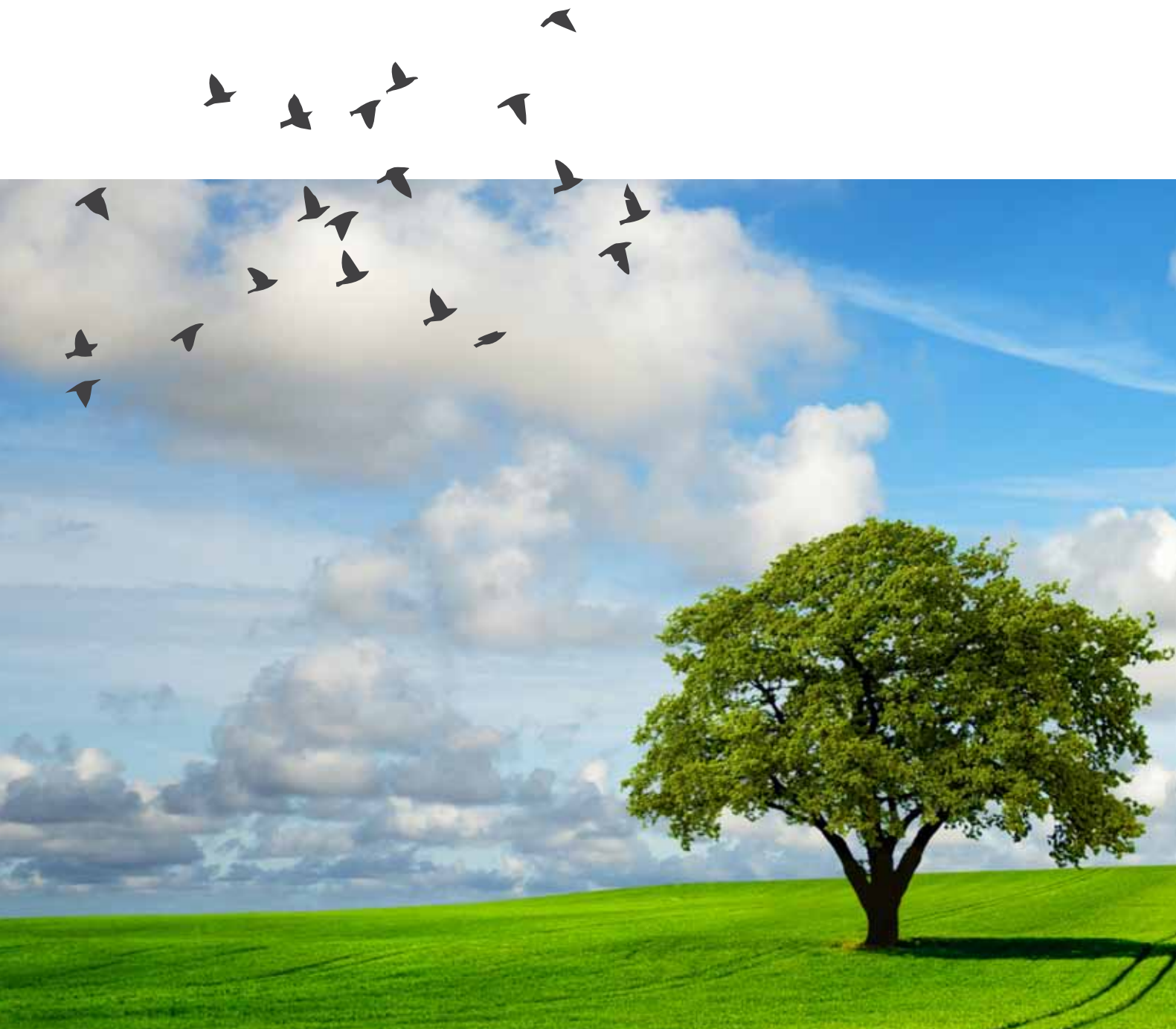


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*Our people, our core
business's performance
and our prowess in
fertilizing put us on a
yielding path, every year.*





Vision

FFC's vision for the 21st Century remains focused on harmonising the Company activities with fresh challenges and encompasses diversification and embarking on ventures within and beyond the territorial limits of the Country in collaboration with leading business partners.



Mission

FFC is committed to play its leading role in industrial and agricultural advancement in Pakistan by providing quality fertilizers and allied services to its customers and given the passion to excel, take on fresh challenges, set new goals and take initiatives for development of profitable business ventures.

Corporate Strategy



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



Policy Statement of Ethics & Business Practices

It is the policy of FFC to follow the highest business ethics and standards of conduct. It is the obligation of every one of us to act responsibly; that is, to be honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices.

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

Standard of Conduct for Directors & Employees

- *We shall conduct our employment activities with the highest principles of honesty, integrity, truthfulness and honour. To this end, we are to avoid not only impropriety, but also the appearance of impropriety.*
- *We shall not make, recommend, or cause to be taken any action, contract, agreement, investment, expenditure or transaction known or believed to be in violation of any law, regulation or corporate policy.*
- *We shall not use our respective positions in employment to force, induce, coerce, harass, intimidate, or in any manner influence any person, including subordinates, to provide any favor, gift or benefit, whether financial or otherwise, to ourselves or others.*
- *In business dealings with suppliers, contractors, consultants, customers and government entities, we shall not provide or offer to provide, any gratuity, favour or other benefit and all such activities shall be conducted strictly on an arm's length business basis.*
- *While representing the Company in dealings with third parties we shall not allow ourselves to be placed in a position in which an actual or apparent conflict of interest exists. All such activities shall be conducted strictly on an arm's length business basis.*



Core Values

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

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

- *All of us shall exercise great care in situations in which a pre-existing personal relationship exists between an individual and any third party or Government employee or official of an agency with whom the Company has an existing or potential business relationship. Where there is any doubt as to the propriety of the relationship, the individual shall report the relationship to management so as to avoid even the appearance of impropriety.*
- *We shall not engage in outside business activities, either directly or indirectly, with a customer, vendor, supplier or agent of the Company, or engage in business activities which are inconsistent with, or contrary to, the business activities of the Company.*
- *We shall not use or disclose the Company's trade secret, proprietary or confidential information, or any other confidential information gained in the performance of Company duties as a means of making private profit, gain or benefit.*
- **Honesty** *in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets.*
- **Excellence** *in high-quality products and services to our customers.*
- **Consistency** *in our word and deed.*
- **Compassion** *in our relationships with our employees and the communities affected by our business.*
- **Fairness** *to our fellow employees, stakeholders, business partners, customers and suppliers through adherence to all applicable laws, regulations and policies and a high standard of moral behaviour.*

Company Information

Board of Directors

Lt Gen Hamid Rab Nawaz, HI(M) (Retired)
Chairman

Lt Gen Malik Arif Hayat, HI(M) (Retired)
Chief Executive and Managing Director

Mr Jorgen Madsen

Mr Qaiser Javed

Mr Wazir Ali Khoja

Dr Nadeem Inayat

Mr Istaqbal Mehdi

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

Brig Agha Ali Hassan, SI(M) (Retired)

Brig Rahat Khan, SI(M) (Retired)

Mr Shahid Aziz Siddiqi

Mr Shahid Anwar Khan

Mr Khizar Hayat Khan

Chief Financial Officer

Syed Shahid Hussain

Tel: No. 92-51-9272339

Fax: No. 92-51-9272337

E-mail: shahid_hussain@ffc.com.pk

Company Secretary

Brig Khalid Kibriya (Retired)

Tel: No. 92-51-9272327

Fax: No. 92-51-9272519

E-mail: ffcwp@ffc.com.pk

Registered Office

93-Harley Street, Rawalpindi Cantt

Tel: No. 92-51-9272307-14

Fax: No. 92-51-9272316

E-mail: ffcwp@ffc.com.pk

Plantsites

Goth Machhi, Sadikabad
(Distt: Rahim Yar Khan)

Tel: No. 92-68-5786420-9

Fax: No. 92-68-5786401

Mirpur Mathelo

(Distt: Ghotki)

Tel: No. 92-723-651021-24

Fax: No. 92-723-651102

Marketing Division

Lahore Trade Centre,

11 Shahrah-e-Aiwan-e-Tijarat, Lahore

Tel: No. 92-42-36369137-40

Fax: No. 92-42-36366324

Karachi Office

B-35, KDA Scheme No. 1, Karachi

Tel: No. 92-21-34390115-16

Fax: No. 92-21-34390117 & 34390122

Bankers

Al Baraka Islamic Bank

Allied Bank Limited

Askari Bank Limited

Bank Al Falah Limited

Bank Al Habib Limited

Bank Islami Pakistan Limited

Barclays Bank PLC, Pakistan

Deutsche Bank AG

Dubai Islamic Bank Pakistan Limited

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

HSBC Bank Middle East Limited

KASB Bank Limited

MCB Bank Limited

Meezan Bank Limited

Mybank Limited

National Bank of Pakistan

NIB Bank Limited

Silk Bank Limited

Soneri Bank Limited

Standard Chartered Bank (Pakistan)
Limited

The Bank of Punjab

The Royal Bank of Scotland

United Bank Limited

Auditors

M/s KPMG Taseer Hadi & Co.

Chartered Accountants

Share Registrar

THK Associates (Pvt) Limited

Ground Floor, State Life Building – 3

Dr Ziauddin Ahmed Road

Karachi – 75530

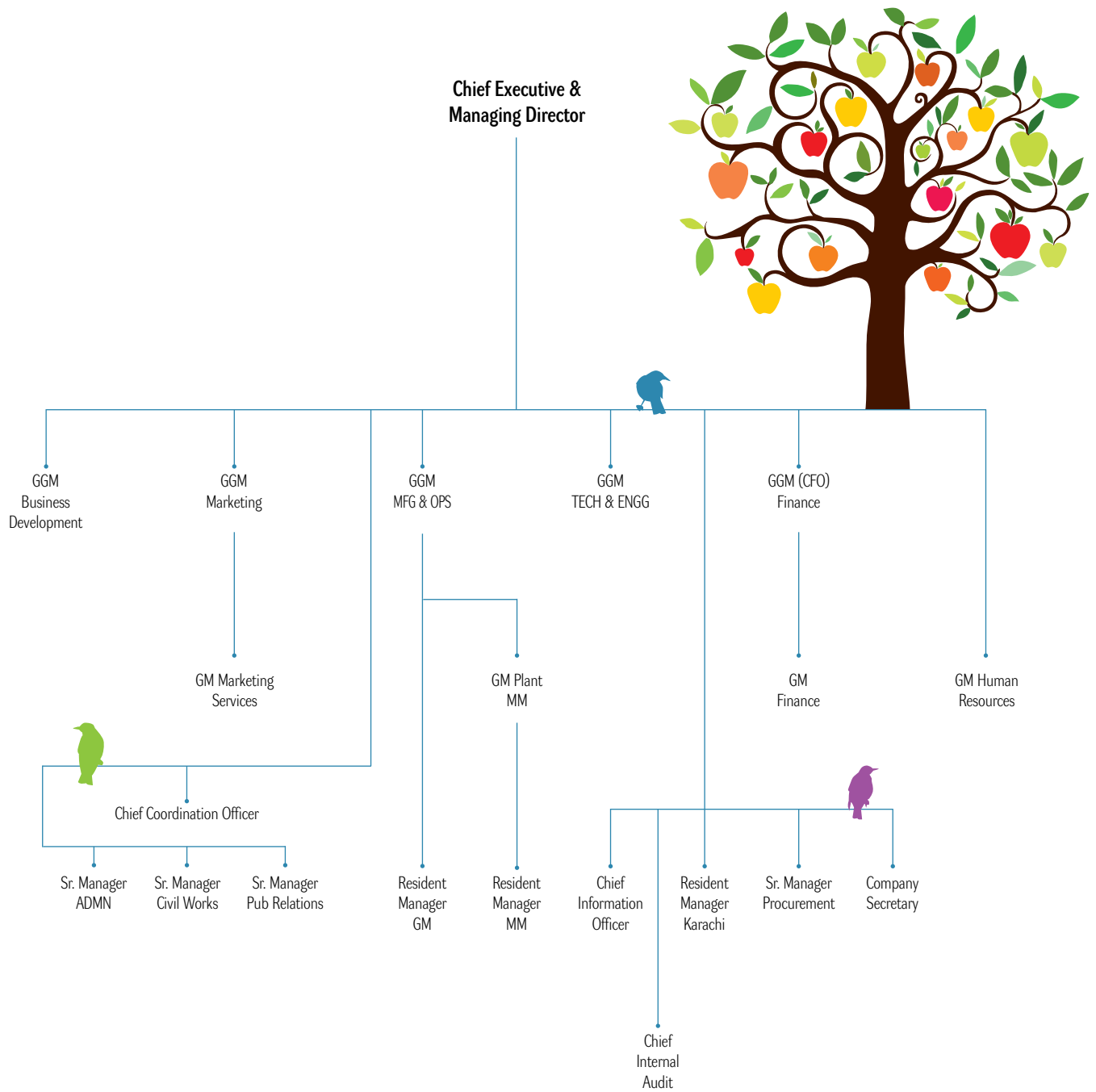
Tel: No. 92-21-111-000-322

Fax: No. 92-21-35655595

Web Presence

Updated Company's Information together with the latest Annual Report can be accessed at FFC's website, www.ffc.com.pk

Organogram



Profile of the Board



Lt Gen Hamid Rab Nawaz,
HI(M) (Retired)
Chairman

Joined the Board on January 13, 2009

He is the Managing Director of Fauji Foundation and is Chairman on the Board of various Fauji Group companies including Fauji Fertilizer Bin Qasim Limited, FFC Energy Limited, Fauji Cement Company Limited and Mari Gas Company Limited. Moreover, he is Director on the Board of Fauji Oil Terminal & Distribution Company Limited, Fauji Power Company (Daharki) Limited and Fauji Akbar Portia Marine Terminal (Private) Limited.

He had a distinguished career in the Pakistan Army, spanning over

a period of 37 years. He has been decorated with Hilal-e-Imtiaz (Military) in recognition of his services for the Nation. He served as the Corps Commander from October 2004 to April 2007 and retired at the post of Inspector General Training and Evaluation in GHQ.

He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad.



Lt Gen Malik Arif Hayat,
HI(M) (Retired)
Chief Executive and Managing Director

Joined the Board on March 17, 2009

He is on the Board of various Group companies and subsidiaries including Fauji Fertilizer Bin Qasim Limited, FFC Energy Limited and Pakistan Maroc Phosphore S.A. and chairs the Business Strategy Committee, Executive Committee and CSR Committee of the Company.

He had an illustrious career in the Pakistan Army from 1971 to 2009. He was awarded Hilal-e-Imtiaz (Military) by the Government of Pakistan for his meritorious services for the Country. He served on various command, staff & instructional assignments in his prominent career in the Army including the important appointments of Director General Command, Control

& Communication, Computer & Intelligence at GHQ, Commandant of Command and Staff College, Quetta and Colonel Commandant of Punjab Regiment.

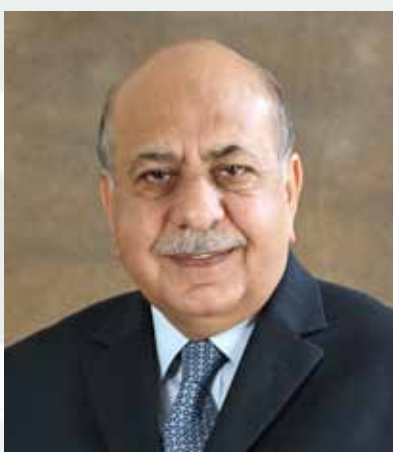
He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad.



Mr Jorgen Madsen
Director

Joined the Board on September 16, 2009

He is an Engineer by profession and works for Haldor Topsoe, Denmark.



Mr Qaiser Javed
Director

Joined the Board on October 15, 1999

He is a fellow member of the Institute of Chartered Accountants of Pakistan with over 35 years of post qualification experience. He is also a member of Institute of Taxation Management.

He joined Fauji Foundation in 1976 and currently is Director Finance of Fauji Foundation and Foundation University. He is Chief Executive of Daharki Power Holdings Limited, Beacon Energy Limited and Green Power (Private) Limited and also holds Directorship in the following Companies:

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

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

Profile of the Board



Mr Wazir Ali Khoja
Director

Joined the Board on July 29, 2010

He is the Chairman / Managing Director of National Investment Trust Limited and Chief Executive Officer of Khoja's Capital Management (Private) Limited.

He also holds Directorship on the Board of following companies:

- Bank Al Habib Limited,
- Packages Limited,
- Askari Bank Limited,
- Habib Metropolitan Bank Limited,
- KSB Pumps Company Limited,
- Pak Suzuki Motors Company Limited,
- Shell Gas LPG (Pakistan) Limited,
- Sui Northern Gas Pipelines Limited,
- Sui Southern Gas Company Limited,

- Pak Telecom Mobile Limited (un-listed) and
- Sindh Bank Limited (un-listed).

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

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

His main area of expertise are Project Finance, Equity Market Operations and Treasury affairs.



Dr Nadeem Inayat
Director

Joined the Board on May 27, 2004

He is Director Investment on the Board of Fauji Foundation and a Director on the Board of following associated companies:

- Fauji Cement Company Limited,
- Fauji Oil Terminal & Distribution Company Limited,
- Fauji Fertilizer Bin Qasim Limited,
- Fauji Akbar Portia Marine Terminal (Private) Limited,
- Daharki Power Holdings Limited,
- Green Power (Private) Limited,
- Foundation Wind Energy Limited -1
- Mari Gas Company Limited and
- Pakistan Maroc Phosphore S.A.

He chairs the Project Diversification Committee and is a member of Audit Committee, Human Resource Committee and System & Technology Committee of the Company.

He holds a Doctorate in economics with rich experience of over 21 years in managing & operating investment portfolios of top tier banks and organizations of the Country.



Mr Istaqbal Mehdi
Director

Joined the Board on January 31, 2005

He is the Chairman / CEO of Al-Aman Holding (Private) Limited and holds Directorship in Lotte Pakistan PTA Limited.

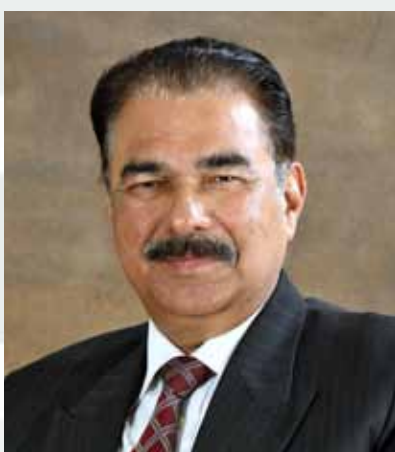
He did his Masters in Economics from Government College Lahore, after which he completed M.Phil in Financial Economics from University of Leeds, (UK). Later he studied Public Enterprise Policy in Developing Countries from Harvard University, Cambridge, Massachusetts (USA).

He held several key positions in Government and Financial Institutions during his commendable career, spanning over 30 years. Major positions held by him are as follows:

- *Managing Director & CEO of Pakistan Kuwait Investment Company (Private) Limited.*
- *President & CEO of Zarai Taraqiati Bank of Pakistan.*

- *Chairman & CEO of Agricultural Development Bank of Pakistan*
- *Chairman & CEO of National Investment Trust Limited.*
- *Managing Director & CEO of Investment Corporation of Pakistan.*
- *CEO of Expert Advisory Cell.*
- *Consultant to World Bank and Asian Development Bank.*
- *Research Assistant in USAID.*
- *Member / Secretary of Prime Minister's Committee for economic policy in Pakistan.*
- *President of the Assembly, International Centre for Public Enterprise.*

Apart from his prominent professional career, he has also made laudable contribution in the form of publications and papers on the subjects of Public Enterprise and Reforms, Privatisation and Restructuring, Poverty Alleviation, Human Resource Management and Corporate Governance.



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

Joined the Board on July 16, 2010

He is The Director Welfare (Education) on the Board of Fauji Foundation. He also holds Directorship in Mari Gas Company Limited.

He was awarded Hilal-e-Imtiaz (Military) by the Government of Pakistan for his notable contribution to the Country.

During his service in the Pakistan Army, he served on various command, staff and instructional appointments including appointment as Director General Budget, GHQ.

He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad.

Profile of the Board



Brig Agha Ali Hassan,
SI(M) (Retired)
Director

Joined the Board on July 16, 2010

He is the Director Research on the Board of Fauji Foundation. He is also a Director on the Board of Fauji Cement Company Limited and Fauji Kabirwala Power Company Limited.

He had a distinguished career in the Pakistan Army, spanning over 32 years, during which he held various command, staff and instructional appointments. Additionally, being a civil engineer, he contributed towards various engineering projects of national importance. After his retirement from the Army, he served as an Engineering Consultant to UN and as Chief Operation Officer of Gammon Pakistan Limited.

He is a graduate of Command and Staff College, Quetta and National Defence College, Islamabad. He has done MSc in Civil Engineering from USA and is also a member of National Civil Engineering Honour Society (USA).



Brig Rahat Khan,
SI(M) (Retired)
Director

Joined the Board on September 16, 2006

Currently, he is Director Planning & Development on the Board of Fauji Foundation and Project Director of Fauji Daharki Power Company Limited and Fauji Wind Power Project. He also holds Directorship in the following companies:

- *Fauji Fertilizer Bin Qasim Limited,*
- *Fauji Cement Company Limited,*
- *Fauji Oil Terminal & Distribution Company,*
- *Fauji Akbar Portia Marine Terminal (Private) Limited,*
- *Fauji Electric Power Company,*
- *Fauji Petroleum Company Limited,*
- *Daharki Power Holdings Company, and*
- *Mari Gas Company Limited.*

He is also the Chairman of Company's System & Technology Committee and a member of Projects Diversification Committee.

He joined the Pakistan Army and was commissioned in the Corps of Engineers in 1974. He served as Commander Engineer National Logistics Cell and Director Land at GHQ.

He got his masters degree in Civil Engineering from Michigan State University, USA after graduating from Military College of Engineering, Command and Staff College, Quetta and the National Defence University, Islamabad.

He was awarded Sitara-e-Imtiaz for his notable contribution to the Pakistan Army.



Mr Shahid Aziz Siddiqi
Director

Joined the Board on August 8, 2008

He is presently the Chairman of State Life Insurance Corporation of Pakistan and holds Directorship in the following companies:

- Packages Limited,
- Thatta Cement Company Limited,
- International Industries Limited,
- Sui Southern Gas Company Limited,
- ORIX Leasing Pakistan Limited and
- Wyeth Pakistan Limited.

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

positions including:

- Managing Director of Rice Export Committee of Pakistan,
- Director General of Ports and Shipping,
- Federal Secretary Communications,
- Director General Hajj, Embassy of Pakistan, Jeddah,
- Commissioner of Karachi, and
- Chairman National Highway Authority.

His other non-government key positions include:

- Executive Director of Indus Valley Institute of Art and Architecture,
- President of Sindh and Balochistan Chapter of the British Alumni Association, and
- Vice Chancellor of Ziauddin Medical University



Mr Shahid Anwar Khan
Director

Joined the Board on November 14, 2008

He is an MBA from Long Island University Brooklyn, USA and graduate in Textile Engineering from University of Engineering & Technology, Lahore.

He is a nominee of the National Bank of Pakistan (NBP) with which he has a prominent career of more than 20 years. Currently he is working as Senior Executive Vice President and Group Chief, Overseas Banking Group in NBP. Being a senior member of management, he is part of many important management committees of NBP including Credit Committee, Operations Committee, Assets Liabilities Committee, Strategic Policy Committee and Trustee of NBP Pension & Provident Fund.

He also holds Directorship in several financial institutions including First Credit and Investment Bank Limited, NBP Modaraba Management Company Limited, National Agriculture Limited, National Fullerton Assets Management Company Limited, Galadari Cement (Gulf) Limited and Fauji Oil Terminal & Distribution Company Limited.

Profile of the Board



Mr Khizar Hayat Khan
Director

Joined the Board on July 3, 2009

He is currently working as Joint Secretary Corporate Sector, Ministry of Industries & Production in Government of Pakistan. He belongs to Civil Service of Pakistan and has vast experience of working in different Provinces and Federal Government on important positions in the field as well as Secretariat.

He also holds Directorship in the following companies:

- Pakistan Engineering Company Limited

- State Engineering Corporation Limited
- Pakistan Machine Tool Factory
- National Fertilizer Marketing Limited
- ENAR Petrotech Services Limited
- Heavy Electrical Complex.

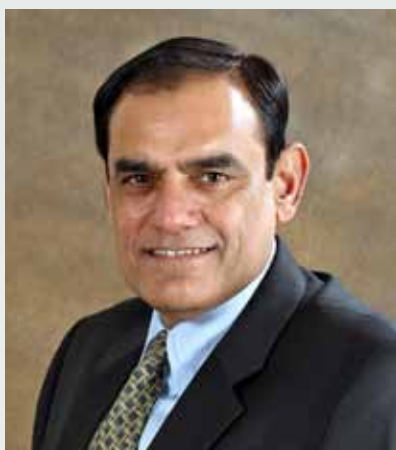
He is MSc in International Relations from Quaid-e-Azam University, Islamabad. He has also obtained a Masters Degree in Development Administration from Western Michigan University, USA and a Diploma in Executive Leadership Development Programme from Harvard University, USA.



Syed Shahid Hussain
Chief Financial Officer

Appointed as CFO on November 3, 2008

He is a fellow member of the Institute of Chartered Accountants of Pakistan and has been in the Company service since 1981. He has worked on various management positions, both within the country and abroad, on secondment to a Fauji Group Joint Venture Project and has extensive experience in the fields of financial management, tax planning, corporate governance and secretarial practices.



Brig Khalid Kibriya (Retired)
Company Secretary

Appointed as Company Secretary on January 4, 2008

He is a graduate from Command and Staff College, Quetta, Joint Services Staff College and Fort Benning, Georgia, USA. His employment includes a three year tenure at the United Nations' Head Quarter in New York. He also served as the Secretary General of the Pakistan Red Crescent Society, a premier humanitarian organization at the national level.

Strategic Goals

- 
- A green tractor is plowing a vast, flat field under a dramatic sky with orange and blue clouds. The tractor is moving away from the viewer towards the horizon, leaving a long, straight furrow in the dark soil. The foreground shows the texture of the plowed earth.
- Drive land productivity through balanced fertilizer application
 - Build leadership in Plant performance
 - Expand sales
 - Create new businesses
 - Maintain operational efficiency to achieve synergies
 - Economise on costs by eliminating duplication of resources
 - Augment profitability for sustained economic growth
 - Outperform the Industry

Board Committees

Audit Committee

Members

Mr Qaiser Javed
Chairman

Dr Nadeem Inayat
Member

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

Meetings held during the year

<i>Date</i>	<i>Attendees</i>
January 25, 2010	3
April 20, 2010	4
July 26, 2010	2
October 18, 2010	2
December 20, 2010	2

Terms of Reference

Terms of reference of the Audit Committee have been drawn up by the Board in compliance with listing regulations and the Board acts in accordance with the recommendations of the Committee on matters forming part of Committee responsibilities.

The Committee conducted the following business during the year, in addition to ensuring compliance with the Code of Corporate Governance:

- Review of matters relating to the Company's annual business plans, cash flow projections, long term plans, capital & revenue budgets along with variance analyses, financial reporting including review of quarterly, half yearly and annual

financial statements, monitoring compliance with applicable accounting standards and review of financial and non-financial publications.

- The scope of the internal audit function, including powers and responsibilities forming part of its charter, ensuring accessibility of the Committee and its Chairman to the Head of the function and administrative control by the Chief Executive.
- Extending assistance to the Board in reviewing, approving and monitoring effective compliance with the Company's mission, vision, corporate strategy & objectives, core values and standard of conduct.
- Review of operational, financial, compliance and risk management policies, instituting

special projects, value for money studies and other investigations specified by the Board.

- Holding of separate meetings with the CFO, Head of Internal Audit and the External Auditors as required under the listing regulations to discuss issues of concern.
- The Committee comprises three non-executive members of the Board. All employees of the Company have access to the Committee. The Committee met five times during 2010.
- Minutes of meetings are drawn up expeditiously and circulated for the information and consideration of the Board in the immediately succeeding Board meeting.

Human Resources Committee

Members

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

Dr Nadeem Inayat
Member

Brig Agha Ali Hassan
SI(M) (Retired)
Member

Meetings held during the year

<i>Date</i>	<i>Attendees</i>
April 02, 2010	3
December 15, 2010	2

Terms of Reference

The Committee comprises three members including the Chairman who are appointed by the Board from the non-executive Directors.

The Committee held two meetings during the year on as required / directed basis to assist the Board in the evaluation and approval of employee benefit plans, welfare projects, performance incentive rewards and financial packages as per the Collective Bargaining Agent (CBA) agreements deemed fair and necessary to attract and retain talented staff.

System & Technology Committee

Members

Brig Rahat Khan
SI(M) (Retired)
Chairman

Dr Nadeem Inayat
Member

Brig Agha Ali Hassan
SI(M) (Retired)
Member

Meetings held during the year

<i>Date</i>	<i>Attendees</i>
April 01, 2010	2
December 15, 2010	2

Terms of Reference

The Committee has been entrusted with the role to review and recommend information technology proposals suggested by Management, promote awareness of all stakeholders on needs for investment in technology and related research work, review and assess Company systems and procedures, recommend proposals on technological innovations including plant upgradation, technology improvements etc. with relevant cost benefit analysis. Other responsibilities include keeping abreast with continuous improvements in technological, implementation in manufacturing, marketing and at administrative levels with periodic review and promotion of awareness of all stakeholders regarding the need for investment in fertilizer / information technologies, review of proposals and recommendations to the Board.

Projects Diversification Committee

Members

Dr Nadeem Inayat
Chairman

Mr Qaiser Javed
Member

Brig Rahat Khan
SI(M) (Retired)
Member

Terms of Reference

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

Management Committees

Business Strategy Committee

Members

Lt Gen Malik Arif Hayat, HI(M) (Retired)
Chairman

Mr Abid Maqbool, GGM (BD)
Member

Mr Asad Sultan Chaudhary, GGM (M)
Member

Mr Zafar Hadi, GGM (BD)
Member

Brig Khalid Kibriya (Retired),
Company Secretary / Member

Brig Fiaz Ahmed Satti (Retired), CCO
Member / Secretary

Terms of Reference

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

Executive Committee

Members

Lt Gen Malik Arif Hayat, HI(M) (Retired)
Chairman

Mr Abid Maqbool, GGM (BD)
Member

Mr Asad Sultan Chaudhary, GGM (M)
Member

Mr Zafar Hadi, GGM (BD)
Member

Syed Iqtidar Saeed, GGM (T&E)
Member

Syed Shahid Hussain, CFO
Member

Mr Tahir Javed, GGM (M&O)
Member

Mr Saulat Hussain, GM (HR)
Member

Mr Naeem ur Rehman, GM (M&O)
Member

Brig Khalid Kibriya (Retired),
Company Secretary / Member

Brig Syed Qasim Abbas (Retired), RM-GM
Member

Brig Fiaz Ahmed Satti (Retired), CCO
Member / Secretary

Terms of Reference

This Committee conducts its business under the chairmanship of the Chief Executive with eleven members from the Management of the Company.

The Committee is entrusted with the tasks to review Company operations on an ongoing basis, establishing adequacy of Company operational, administrative and control policies adopted by the Board and monitoring compliance thereof.

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

CSR Committee

Members

Lt Gen Malik Arif Hayat, HI(M) (Retired)
Chairman

Mr Asad Sultan Chaudhary, GGM (M)
Member

Syed Shahid Hussain, CFO
Member

Mr Tahir Javed, GGM-M&O
Member

Brig Khalid Kibriya (Retired),
Company Secretary / Member

Brig Fiaz Ahmed Satti (Retired), CCO
Member / Secretary

Terms of Reference

This Committee is chaired by the Chief Executive with five members from the Management of the Company. The Committee was formed this year to give a centralised platform to Company's CSR activities. Terms of reference for the Committee, drafted by the Board include steering the direction of CSR activities from donations and welfare activities under different departments, planned and supervised at local level, to a centrally controlled strategic function, aligned with international guidelines and standardised to ensure quality.

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

Highlights of Major Events

Investment in FFCEL

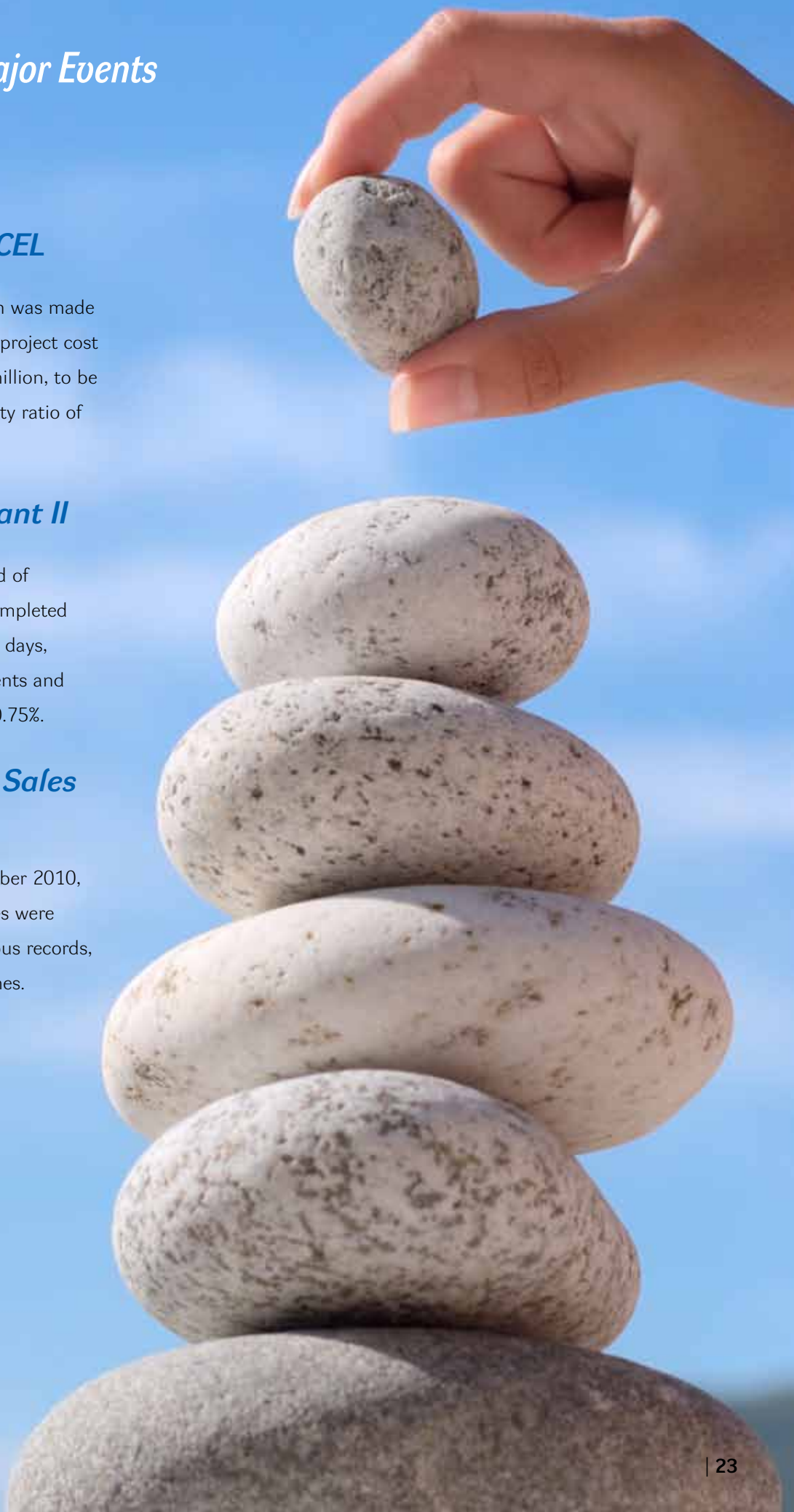
Investment of Rs 650 million was made in FFC Energy Limited. Total project cost is estimated at US\$ 133.5 million, to be financed in the Debt to Equity ratio of 80:20.

Turnaround of Plant II

9th maintenance turnaround of Plant - II was successfully completed within a record period of 13 days, meeting all safety requirements and improving energy index by 0.75%.

Highest Monthly Sales Record

During the month of November 2010, highest ever 'Sona' urea sales were recorded, breaking all previous records, reaching 415 thousand tonnes.



Notice of Meeting

Notice is hereby given that the 33rd Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at Pearl Continental Hotel, Rawalpindi on Tuesday, March 01, 2011 at 1000 hours to transact the following business:-

Ordinary Business

1. To confirm the minutes of Annual General Meeting held on February 24, 2010.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Auditors' and the Directors' Reports thereon for the year ended December 31, 2010 and the Audited Consolidated Accounts of FFC and its subsidiaries FFBL and FFCEL for the year ended December 31, 2010.
3. To appoint Auditors for the year 2011 and to fix their remuneration.
4. To approve payment of Final Dividend for the year ended December 31, 2010 as recommended by the Board of Directors.

Special Business

5. To increase the Authorised Share Capital of the Company from Rupees Ten Billion to Rupees Fifteen Billion as recommended by the Board of Directors in their meeting held on January 27, 2011; and if thought fit, pass the following special Resolution with or without modification as required under Article 23 of the Articles of Association.

RESOLUTION

"RESOLVED THAT the Authorised Share Capital of the Company be and is hereby increased from Rs 10,000,000,000/- (Rupees ten billion) to Rs 15,000,000,000/- (Rupees fifteen billion) divided into 1,500,000,000/- ordinary shares of Rs 10/- each.

AND RESOLVED THAT the figures and words Rs 10,000,000,000/- (Rupees ten billion) divided into 1,000,000,000 (One billion) ordinary shares of Rs 10/- each appearing in clause V of the Memorandum of Association and Article (4) of the Articles of Association of the Company be and are hereby substituted by the figures and words Rs 15,000,000,000/- (Rupees fifteen billion) divided into 1,500,000,000/- (One billion and five hundred million) ordinary shares of Rs 10/- each.

FURTHER RESOLVED THAT the Company Secretary be and is hereby authorised to do all acts to effect the

Special Resolution and to comply with all the necessary requirements of the law in this regard"

6. To approve the issue of bonus shares in the ratio of 25 shares for every 100 shares held (i.e. 25%) as declared and recommended by the Board of Directors in their meeting held on January 27, 2011, and if thought fit, pass the following special resolution.

RESOLUTION

"RESOLVED THAT a sum of Rs 1,696,317,660 (Rupees one billion, six hundred ninety six million, three hundred seventeen thousand and six hundred sixty) out of Reserves of the Company available for appropriation as at December 31, 2010, be capitalised and applied for issue of 169,631,766 (one hundred sixty nine million, six hundred thirty one thousand and seven hundred sixty six) ordinary shares of Rs 10/- each allotted as fully paid bonus shares to the members of the Company whose names appear on the register of members as at close of business on February 22, 2011 in the proportion of twenty five shares for every hundred shares held (i.e. 25%) and that such shares shall rank pari passu in every respect with the existing ordinary shares of the Company.

AND RESOLVED THAT the bonus shares so allotted shall not be entitled for final cash dividend for the year 2010.

FURTHER RESOLVED THAT fractional entitlement of the members shall be consolidated into whole shares and sold on the Karachi Stock Exchange and the sale proceeds thereof will be donated as deemed appropriate by the Board.

AND FURTHER RESOLVED THAT the Company Secretary be and is hereby authorised and empowered to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for issue, allotment and distribution of bonus shares."

A statement under section 160(1) (b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice.

7. To transact any other business with the permission of the Chair.

By Order of the Board

Brig Khalid Kibriya (Retired)
Company Secretary

Rawalpindi
February 07, 2011

NOTES:

1. The share transfer books of the Company will remain closed from February 23, 2011 to March 01, 2011 (both days inclusive).
2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a person / representative as proxy to attend and vote in place of the member at the Meeting. Proxies in order to be effective must be received at the Company's Registered Office, 93-Harley Street, Rawalpindi not later than 48 hours before the time of holding the Meeting.
3. Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his / her original NIC to prove identity, and in case of proxy, a copy of shareholder's attested computerised national identity card (CNIC) must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.
- 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 original CNIC or original passport at the time of Meeting.
- v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Statement under section 160 (1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the Special Business, given in agenda items No. 5 and 6 of the Notice, to be transacted at the Annual General Meeting of the Company.

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

A. For attending the Meeting:

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his / her original CNIC or original passport at the time of attending the Meeting.
- ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of Meeting.

B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii) The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.

1. Increase in Authorised Share Capital

Keeping in view the expected future growth, the Company may require additional capital to finance the upcoming projects and capital expenditure in the years to come. Therefore, it is proposed to increase the Authorised Capital in accordance with Article 23 of the Articles of Association of the Company and Section 92 of the Companies Ordinance 1984 from Rs. 10 billion to Rs. 15 billion divided into one billion and five hundred million ordinary shares of Rs 10/- each.

2. Issue of Bonus Shares

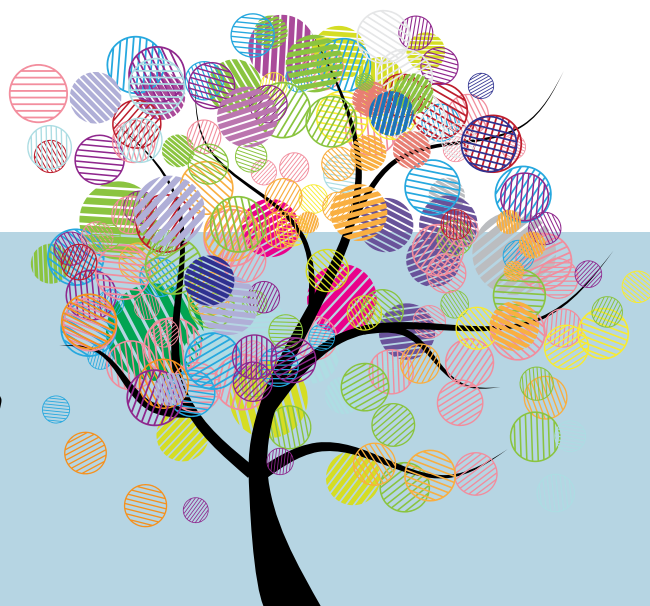
The Directors are of the view that Company's financial position and its reserves justify the capitalisation of free reserves amounting to Rs. 1,696,317,660 (one billion, six hundred ninety six million, three hundred seventeen thousand and six hundred sixty) for the issue of bonus shares in the ratio of 25 bonus shares for every 100 ordinary shares held. The Directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules 1996, the Auditors have certified that the reserves and surplus retained after the issue of the bonus shares will not be less than 25% of the increased Capital.

Financial Performance

		2010	2009	2008	2007	2006	2005
Financial Performance – Profitability							
Gross profit margin	%	43.60	43.27	40.40	35.59	32.42	36.06
EBITDA margin to sales	%	41.43	41.68	37.99	32.86	27.99	33.00
Pre tax margin	%	36.35	36.11	32.82	27.49	23.32	28.31
Net profit margin	%	24.58	24.40	21.33	18.86	15.48	19.22
Return on equity	%	71.40	67.44	53.11	42.11	35.78	39.36
Return on capital employed	%	57.25	49.96	36.94	34.81	32.76	36.49
Operating Performance / Liquidity							
Total assets turnover	Times	1.04	0.94	0.96	0.97	1.09	0.90
Fixed assets turnover	Times	2.82	2.58	2.40	2.74	3.12	2.77
Debtors turnover	Times	145.93	96.07	27.58	21.19	36.95	24.65
Debtors turnover	Days	3	4	13	17	10	15
Inventory turnover	Times	282.79	236.45	55.20	25.54	29.31	47.47
Inventory turnover	Days	1	2	7	14	12	8
Creditors turnover	Times	59.69	54.82	49.13	50.58	27.32	19.44
Creditors turnover	Days	6	7	7	7	13	19
Operating cycle	Days	(2)	(1)	13	24	9	4
Return on assets	%	25.61	22.89	20.44	18.33	16.90	17.21
Current ratio		0.84	0.84	0.82	0.94	0.90	0.91
Quick / Acid test ratio		0.71	0.66	0.54	0.68	0.61	0.69
Capital Market / Capital Structure Analysis							
Market value per share							
– Year end	Rs.	125.86	102.93	58.73	118.75	105.55	137.00
– High during the year	Rs.	128.50	109.20	149.85	131.90	144.90	180.00
– Low during the year	Rs.	101.10	61.66	54.30	103.00	105.50	118.00
Breakup value / (Net assets/share)	Rs.	22.77	19.28	24.90	25.80	26.26	25.21
Earnings per share (pre tax)	Rs.	24.04	19.24	14.80	11.52	10.29	10.63
Earnings per share (after tax)	Rs.	16.25	13.00	9.62	7.90	6.83	7.22
Earnings growth	%	25.00	35.14	21.71	15.64	(5.34)	22.31
Price earning ratio		7.75	7.92	6.10	15.03	15.45	18.97
Market price to breakup value		4.78	5.34	4.81	4.52	4.72	5.57
Dividend yield / Effective dividend rate	%	14.24	14.93	13.57	9.43	8.07	11.39
Debt : Equity		20:80	26:74	30:70	17:83	8:92	7:93
Weighted average cost of debt	%	13.42	14.64	12.09	8.93	8.07	7.35
Interest cover		16.00	14.82	15.44	12.10	14.94	23.13
Corporate Distribution & Retention							
Dividend per share – Interim cash	Rs.	9.50	9.90	10.50	7.50	6.10	9.75
Dividend per share – Proposed final	Rs.	3.50	3.25	3.25	3.50	3.90	2.25
Total dividend per share – Cash	Rs.	13.00	13.15	13.75	11.00	10.00	12.00
Dividend payout – Interim cash	%	58.45	73.13	79.41	69.04	64.94	78.95
Dividend payout – Interim & proposed cash	%	80.00	98.12	103.99	101.25	106.45	101.62
Bonus shares issued	%	–	10.00	–	–	–	40.00
Proposed bonus issue	%	25.00	–	25.00	–	–	–
Total dividend per share – Bonus	%	25.00	10.00	25.00	–	–	40.00
Total dividend – Cash & bonus	%	155.00	141.50	162.50	110.00	100.00	160.00
Total dividend payout – Cash & bonus	%	95.36	105.11	122.89	101.25	106.45	133.12
Dividend cover ratio	%	104.84	91.90	59.18	71.83	68.32	45.11
Retention (after interim cash)	%	41.55	26.87	20.59	30.96	35.06	21.05
Retention (after interim & proposed cash)	%	20.02	1.88	(3.98)	(1.27)	(6.45)	(1.60)

FFC - from strength to strength



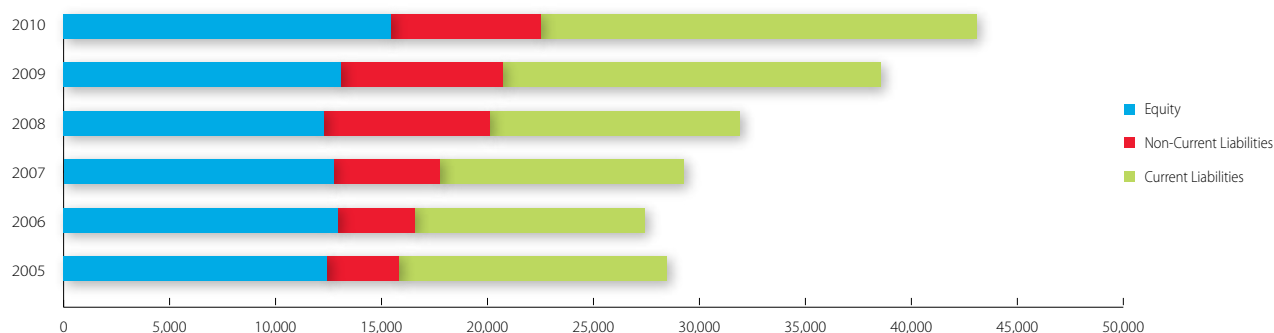
	2010	2009	2008	2007	2006	2005
					(Rs in million)	
Summary of Balance Sheet						
Share capital	6,785	6,785	4,935	4,935	4,935	4,935
Reserves	8,662	6,297	7,350	7,795	8,022	7,506
Shareholders' funds / Equity	15,447	13,082	12,285	12,730	12,957	12,441
Long term borrowings	3,819	4,579	5,378	2,671	1,194	981
Capital employed	19,266	17,661	17,663	15,401	14,151	13,422
Deferred liabilities	3,216	3,036	2,432	2,364	2,396	2,401
Property, plant & equipment	15,934	13,994	12,731	10,390	9,608	9,185
Long term assets	25,837	23,634	22,209	18,431	17,666	16,985
Net current assets / Working capital	(3,355)	(2,938)	(2,114)	(666)	(1,119)	(1,162)
Liquid funds (net)	7,830	5,298	2,116	2,103	496	5,801
Summary of Profit and Loss						
Sales	44,874	36,163	30,593	28,429	29,951	25,481
Gross profit	19,564	15,648	12,358	10,117	9,709	9,187
Operating profit	15,620	12,473	9,690	7,699	6,962	6,816
Profit before tax	16,310	13,057	10,041	7,815	6,985	7,214
Profit after tax	11,029	8,823	6,525	5,361	4,636	4,897
EBITDA	18,591	15,071	11,622	9,342	8,384	8,410
Summary of Cash Flows						
Net cash flow from operating activities	14,629	8,919	8,166	5,914	(396)	6,177
Net cash flow from investing activities	1,101	(1,373)	(3,243)	(451)	(353)	1,611
Net cash flow from financing activities	(11,422)	(6,191)	(7,529)	(5,510)	(3,055)	(4,723)
Changes in cash & cash equivalents	4,308	1,355	(2,607)	(48)	(3,804)	3,065
Cash & cash equivalents – Year end	6,423	2,096	739	3,344	3,384	7,175
Others						
Market capitalisation	85,396	69,841	28,982	58,600	52,086	67,606
Numbers of shares issued (Million)	679	679	493	493	493	493
Contribution to National Exchequer	14,647	13,634	11,663	11,979	11,370	9,500
Savings through import substitution (Million US\$)	756	679	1,217	807	631	633
Quantitative Data					('000 Tonnes)	
Sona Urea Production	2,485	2,464	2,322	2,320	2,296	2,303
Sona Urea Sales	2,482	2,464	2,342	2,298	2,293	2,304

Horizontal Analysis

Balance Sheet

	2010	10 Vs. 09	2009	09 Vs. 08	2008	08 Vs. 07	2007	07 Vs. 06	2006	06 Vs. 05	Rs in million	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	2005	05 Vs. 04
											Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	6,785	-	6,785	37.49	4,935	-	4,935	-	4,935	-	4,935	67.29
Capital reserves	160	-	160	-	160	-	160	-	160	-	160	-
Revenue reserves	8,502	38.54	6,137	(14.65)	7,190	(5.83)	7,635	(2.87)	7,862	7.02	7,346	(20.02)
	15,447	18.08	13,082	6.49	12,285	(3.49)	12,730	(1.75)	12,957	4.15	12,441	1.19
NON - CURRENT LIABILITIES												
Long term borrowings	3,819	(16.60)	4,579	(14.85)	5,378	101.35	2,671	123.70	1,194	21.71	981	(65.79)
Deferred taxation	3,216	5.93	3,036	24.83	2,432	2.89	2,364	(1.34)	2,396	(0.21)	2,401	(0.25)
	7,035	(7.62)	7,615	(2.50)	7,810	55.11	5,035	40.25	3,590	6.15	3,382	(35.89)
CURRENT LIABILITIES												
Trade and other payables	9,614	20.13	8,003	33.51	5,994	3.07	5,815	44.44	4,026	(40.25)	6,738	15.55
Interest and mark - up accrued	138	(6.12)	147	(24.55)	195	5.98	184	37.31	134	63.41	82	10.81
Short term borrowings	5,641	(7.34)	6,088	95.52	3,114	(0.86)	3,141	(30.68)	4,531	80.88	2,505	2.405
Current portion of long term borrowings	1,759	(2.22)	1,799	142.19	743	(27.37)	1,023	15.33	887	(53.02)	1,887	(16.79)
Taxation	3,426	88.55	1,817	2.18	1,778	35.43	1,313	0.54	1,305	(7.64)	1,414	136.45
	20,578	15.26	17,854	51.01	11,824	3.03	11,476	5.44	10,883	(13.80)	12,626	42.32
	43,060	11.70	38,551	20.78	31,919	9.16	29,241	6.60	27,430	(3.58)	28,449	7.59
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	15,934	13.86	13,994	9.92	12,731	22.53	10,391	8.14	9,608	4.61	9,185	0.04
Goodwill	1,569	-	1,569	-	1,569	-	1,569	-	1,569	(6.27)	1,674	(5.85)
Log term investments	7,870	1.84	7,728	(0.22)	7,744	22.45	6,325	(1.31)	6,409	5.79	6,058	5.06
Long term loans & advances	455	35.01	337	107.05	163	13.99	143	85.71	77	18.46	65	(2.99)
Long term deposits & prepayments	9	50.00	6	220.01	2	-	2	-	2	(33.33)	3	-
	25,837	9.32	23,634	6.41	22,209	20.50	18,430	4.33	17,665	4.00	16,985	1.13
CURRENT ASSETS												
Stores, spares and loose tools	2,440	(18.59)	2,997	(1.22)	3,034	26.00	2,407	9.36	2,202	2.23	2,154	24.72
Stock in trade	212	47.22	144	(44.15)	258	(59.88)	643	(32.53)	953	70.18	560	155.71
Trade debts	358	39.30	257	(48.19)	496	(71.21)	1,723	79.29	961	45.61	660	(53.13)
Loans and advances	336	158.46	130	(5.17)	137	63.09	84	(11.58)	95	(18.80)	117	36.05
Deposits and prepayments	50	31.58	38	(64.45)	108	214.71	33	34.36	25	(3.85)	26	4.00
Other receivables	618	(15.80)	734	(40.44)	1,233	(20.09)	1,543	6.12	1,453	150.26	580	3.57
Short term investments	12,020	77.60	6,768	92.75	3,512	15.98	3,028	23.44	2,453	(60.40)	6,195	35.71
Cash and bank balances	1,189	(69.11)	3,849	313.00	932	(30.96)	1,350	(16.82)	1,623	38.48	1,172	10.98
	17,223	15.46	14,917	53.63	9,710	(10.18)	10,811	10.70	9,765	(14.82)	11,464	18.85
	43,060	11.70	38,551	20.78	31,919	9.16	29,241	6.60	27,430	(3.58)	28,449	7.59

Balance Sheet Analysis - Equity & Liabilities

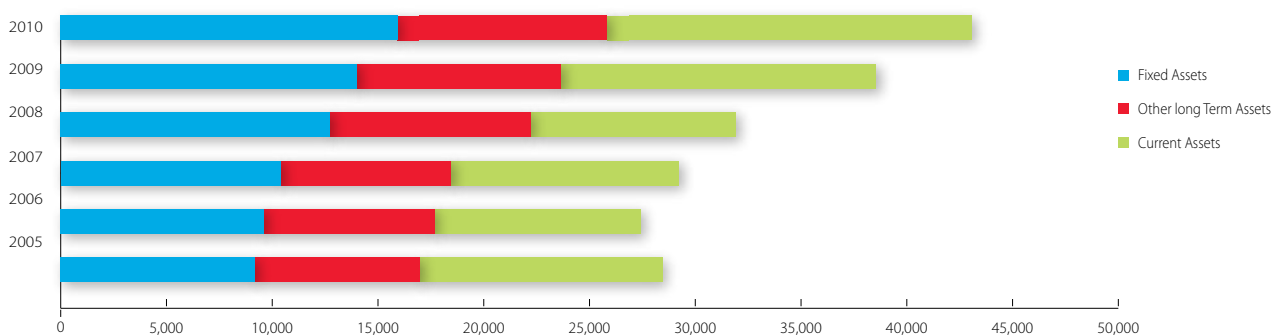


Vertical Analysis

Balance Sheet

	2010		2009		2008		2007		2006		Rs in million 2005	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
EQUITY AND LIABILITIES												
EQUITY												
Share capital	6,785	15.76	6,785	17.60	4,935	15.46	4,935	16.88	4,935	17.99	4,935	17.35
Capital reserves	160	0.37	160	0.42	160	0.50	160	0.55	160	0.58	160	0.56
Revenue reserves	8,502	19.74	6,137	15.92	7,190	22.53	7,635	26.11	7,862	28.66	7,346	25.82
	15,447	35.87	13,082	33.93	12,285	38.49	12,730	43.53	12,957	47.23	12,441	43.73
NON - CURRENT LIABILITIES												
Long term borrowings	3,819	8.87	4,579	11.88	5,378	16.85	2,671	9.14	1,194	4.35	981	3.45
Deferred taxation	3,216	7.47	3,036	7.87	2,432	7.62	2,364	8.08	2,396	8.73	2,401	8.44
	7,035	16.34	7,615	19.75	7,810	24.47	5,035	17.22	3,590	13.09	3,382	11.89
CURRENT LIABILITIES												
Trade and other payables	9,614	22.33	8,003	20.76	5,994	18.78	5,815	19.89	4,026	14.68	6,738	23.68
Interest and mark - up accrued	138	0.32	147	0.38	195	0.61	184	0.63	134	0.49	82	0.29
Short term borrowings	5,641	13.10	6,088	15.79	3,114	9.76	3,141	10.74	4,531	16.52	2,505	8.80
Current portion of long term borrowings	1,759	4.08	1,799	4.67	743	2.33	1,023	3.50	887	3.23	1,887	6.64
Taxation	3,426	7.96	1,817	4.71	1,778	5.57	1,313	4.49	1,305	4.76	1,414	4.97
	20,578	47.79	17,854	46.31	11,824	37.04	11,476	39.25	10,883	39.68	12,626	44.38
	43,060	100	38,551	100	31,919	100	29,241	100	27,430	100	28,449	100
ASSETS												
NON - CURRENT ASSETS												
Property, plant & equipment	15,934	37.00	13,994	36.30	12,731	39.88	10,391	35.53	9,608	35.03	9,185	32.28
Goodwill	1,569	3.64	1,569	4.07	1,569	4.92	1,569	5.37	1,569	5.72	1,674	5.88
Log term investments	7,870	18.28	7,728	20.04	7,744	24.26	6,325	21.63	6,409	23.36	6,058	21.29
Long term loans & advances	455	1.06	337	0.88	163	0.51	143	0.49	77	0.28	65	0.23
Long term deposits & prepayments	9	0.02	6	0.02	2	0.006	2	0.006	2	0.007	3	0.01
	25,837	60.00	23,634	61.30	22,209	69.58	18,430	63.03	17,665	64.40	16,985	59.70
CURRENT ASSETS												
Stores, spares and loose tools	2,440	5.67	2,997	7.77	3,034	9.51	2,407	8.23	2,202	8.03	2,154	7.57
Stock in trade	212	0.49	144	0.37	258	0.81	643	2.20	953	3.47	560	1.97
Trade debts	358	0.83	257	0.67	496	1.55	1,723	5.89	961	3.50	660	2.32
Loans and advances	336	0.78	130	0.34	137	0.43	84	0.29	95	0.35	117	0.41
Deposits and prepayments	50	0.12	38	0.10	108	0.34	33	0.12	25	0.09	26	0.09
Other receivables	618	1.44	734	1.90	1,233	3.86	1,543	5.28	1,453	5.30	580	2.04
Short term investments	12,020	27.91	6,768	17.56	3,512	11.00	3,028	10.35	2,453	8.94	6,195	21.78
Cash and bank balances	1,189	2.76	3,849	9.98	932	2.92	1,350	4.62	1,623	5.92	1,172	4.12
	17,223	40.00	14,917	38.70	9,710	30.42	10,811	36.97	9,765	35.60	11,464	40.30
	43,060	100	38,551	100	31,919	100	29,241	100	27,430	100	28,449	100

Balance Sheet Analysis - Assets

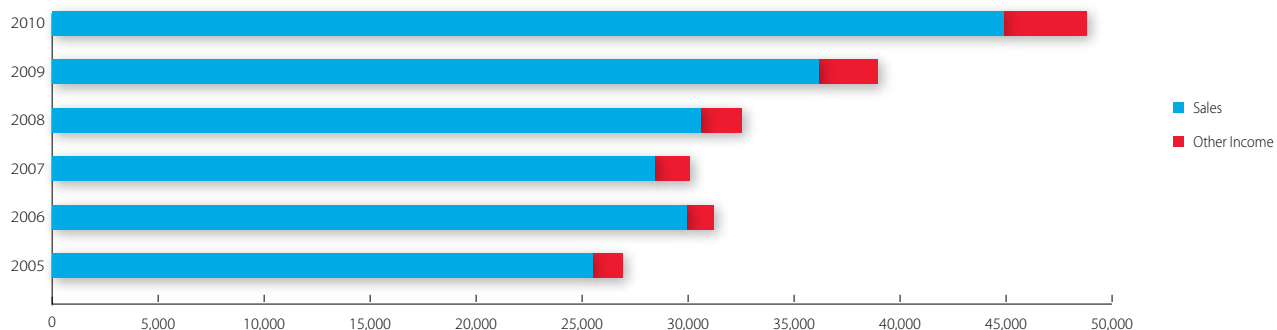


Horizontal and Vertical Analyses

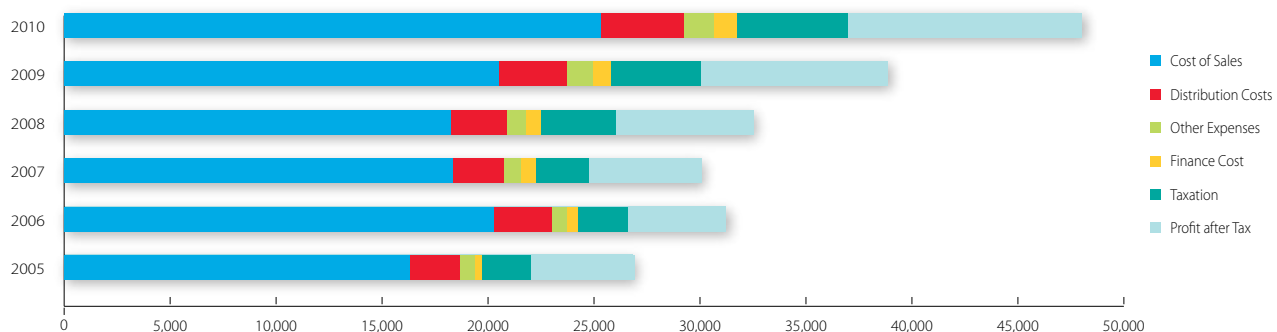
Profit and Loss Account

Horizontal Analysis												
	2010	10 Vs. 09	2009	09 Vs. 08	2008	08 Vs. 07	2007	07 Vs. 06	2006	06 Vs. 05	Rs in Million	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	2005	05 Vs. 04
											Rs.	%
Sales	44,874	24.09	36,163	18.21	30,593	7.61	28,429	(5.08)	29,951	17.54	25,481	21.18
Cost of Sales	25,310	23.37	20,515	12.50	18,235	(0.42)	18,312	(9.53)	20,242	24.23	16,294	23.83
Gross profit	19,564	25.03	15,648	26.62	12,358	22.15	10,117	4.21	9,709	5.68	9,187	16.75
Distribution cost	3,944	24.26	3,174	18.96	2,668	10.33	2,418	(11.94)	2,747	15.86	2,371	34.18
	15,620	25.22	12,474	28.72	9,690	25.86	7,699	10.59	6,962	2.14	6,816	11.70
Finance cost	1,087	15.03	945	35.97	695	(1.28)	704	40.52	501	53.68	326	(12.60)
Other expenses	1,376	8.09	1,273	41.98	896	6.04	845	14.81	736	2.79	716	27.86
	13,157	28.29	10,256	26.63	8,099	31.69	6,150	7.42	5,725	(0.85)	5,774	11.70
Other income	3,153	12.57	2,801	44.16	1,942	16.69	1,665	32.14	1,260	(12.50)	1,440	54.18
Net profit before taxation	16,310	24.91	13,057	30.04	10,041	28.48	7,815	11.88	6,985	(3.17)	7,214	18.20
Provision for taxation	5,281	24.73	4,234	20.42	3,516	43.28	2,454	4.47	2,349	1.38	2,317	10.39
Net profit after taxation	11,029	25.00	8,823	35.22	6,525	21.71	5,361	15.64	4,636	(5.33)	4,897	22.30
Vertical Analysis												
	2010		2009		2008		2007		2006		Rs in Million	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%	2005	%
Sales	44,874	100.00	36,163	100.00	30,593	100.00	28,429	100.00	29,951	100.00	25,481	100.00
Cost of Sales	25,310	56.40	20,515	56.73	18,235	59.60	18,312	64.41	20,242	67.58	16,294	63.95
Gross profit	19,564	43.60	15,648	43.27	12,358	40.40	10,117	35.59	9,709	32.42	9,187	36.05
Distribution cost	3,944	8.79	3,174	8.78	2,668	8.72	2,418	8.51	2,747	9.17	2,371	9.30
	15,620	34.81	12,474	34.49	9,690	31.67	7,699	27.08	6,962	23.24	6,816	26.75
Finance cost	1,087	2.42	945	2.61	695	2.27	704	2.47	501	1.67	326	1.28
Other expenses	1,376	3.07	1,273	3.52	896	2.93	845	2.97	736	2.46	716	2.81
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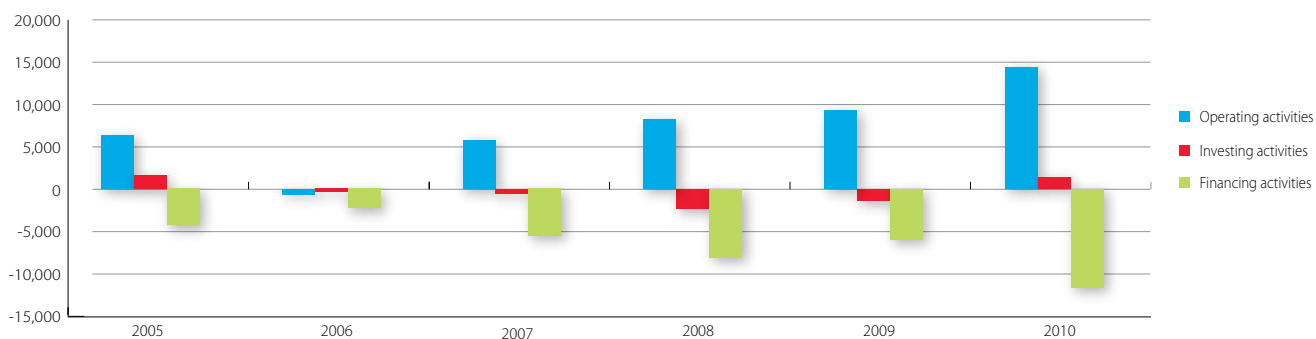
Profit and Loss Analysis - Income



Profit and Loss Analysis - Expenses



Cash Flow Analysis



Directors' Report

Chairman's Review

The earnings and cash flow we deliver reward our stakeholders and make it possible for us to continue investing for the future



*Lt Gen Hamid Rab Nawaz,
HI (M) (Retired)
Chairman*

The Company's ability to overcome challenges and adverse climatic changes was demonstrated this year.

The growth of the Company has been phenomenal over the last decade and, gladly, this year new benchmarks in terms of production, sales and profitability have been established.

With the rapidly increasing population in our Country, mere increase in cultivated land area is not enough to fill the demand. The remaining shortfall to maintain a balance between population and produce has to be met with optimised use of fertilizer, proper irrigation and modernisation of farming techniques.

We, at FFC, focus on manufacturing fertilizer that would meet the Country's agricultural demand, increase per acre yield dramatically and help make healthier agricultural produce. To make it possible, we employ technically competent and committed employees, focused on these goals for the amelioration of the whole community.

Following the recent severe flooding in the Country, it was feared that raging water followed by stagnation would leave some areas of agricultural land infertile for a while and winter crops would suffer. Fertilizer can play a key role in revitalizing the land and rehabilitation of the farming community.

Our contribution to society is not limited to delivering profitability to stakeholders but engulfs a wider scope including gainful employment, premium quality fertilizer for better yield, technical advice to farming community and savings of foreign exchange in terms of import substitution. The Company contributes significantly to the National Exchequer and provides community service for people linked with the Company, while keeping a keen eye on the environmental impacts.

FFC has a strong governance structure, based on the pillars of honesty, integrity, business ethics and morality, driven by strong sense of responsibility to ourselves, our fellow members and stakeholders. Board of Directors have put in place a mechanism to evaluate performance of the Company, each member of the Board and collective efforts of the Board as a whole so that the Company performs at its best. I would like to thank my fellow Directors and all stakeholders, particularly the Government of Pakistan for their contribution, assistance and commitment throughout the year.

I congratulate the Management and employees for a successful year and wish them continued growth and glimmering success in all spheres of activity.



Lt Gen Hamid Rab Nawaz,
HI (M) (Retired)
January 27, 2011



Earnings Per Share

Directors' Report

CEO's Remarks



*We are focused on
implementing operational
excellence and
innovation throughout
our organization*

*Lt Gen Malik Arif Hayat, HI (M) (Retired)
Chief Executive & Managing Director*

I am proud to declare that FFC has yet again scored an all time highest profit of Rs 11,029 million, translating into an EPS of Rs 16.25, up by Rs 3.25 compared to last year. This remarkable achievement was made possible by farsighted strategies, adherence to stringent governance policies, commitment of our management and technical superiority of our employees.

With growing competition, changing economic conditions and political instability, every year brings new challenges, but this year, nature brought a bigger one. The unprecedented floods affected all spheres of life in one way or the other, leaving some tormented for a life time. Thanks to prudent strategic decision making of the Board of Directors and management of the Company, we recovered in no time. After suffering a decline in sales volume during the third quarter, the Company ended the year with the highest ever profit figure.

Being big brings bigger responsibilities. FFC, a responsible corporate citizen of the Country, made a hefty contribution of around Rs 140 million for the reform and betterment of flood affectees in different areas of the Country.

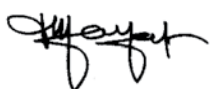
We are steadfast in our commitment to meet the demand of the local market, engaging all available resources. By way of acquisition and debottlenecking, aggregate nameplate production capacity of the Company has reached 2.048 million tonnes, accounting for 48% of the Country's total urea production.

Our growth is two pronged, increasing profitability of the existing business and expanding by means of acquisition and investment in other products and sectors. The more we grow, the more society can benefit from us.

The Company is currently evaluating the proposed acquisition of majority stake in Agritech which is being divested by the parent company because of financial constraints. Consummation of the transaction is subject to the receipt of all regulatory consents and approvals, including those from Competition Commission of Pakistan. Because a number of significant issues regarding the terms of the transaction remain unresolved, there can be no assurance that a definitive agreement would be concluded.

The Management is fully aware of its responsibilities and is playing an excellent role in leading the organization to new benchmarks. FFC is a name that stands out for its best governance practices, increasing returns for stakeholders, financial reporting excellence and contribution to the society as a corporate citizen.

I appreciate the efforts of Management and employees of the Company in achieving the highest ever profitability and making FFC a hallmark of success.



Lt Gen Malik Arif Hayat,
HI (M) (Retired)

January 27, 2011



Return on Equity

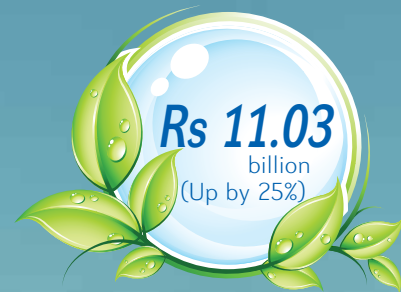
Directors' Report

Financial Review



Syed Shahid Hussain
Chief Financial Officer

*We focus on delivering
through growth,
profitability just
follows...*



**Profit
After Tax**

Continuing its profitability streak, FFC attained a new profit benchmark of Rs 11,029 million with EPS of Rs 16.25, 25% higher than last year. Performance of all divisions of the Company was outstanding during the year.

Production during the year was 2.485 million tonnes at 121% utilisation of nameplate capacity of 2.048 million tonnes.

'Sona' sales volume climbed to 2.482 million tonnes, a rise of 1% over last year, while total turnover reached Rs 44,874 million, an all time record, 24% higher than the turnover last year.

FFC's urea market share was recorded at 40.6%, while combined market share of FFC and FFBL was 49.1%, compared to 47.6% last year.



The Company spent Rs 3,944 million on distribution of fertilizer, 24% higher than last year due to higher sales volume and increase in transportation and warehousing costs. The operating profit grew by 25% from Rs 12,474 million last year to Rs 15,620 million this year.

Finance cost was higher by 15% due to short term running finance availed to meet Company's working capital requirements and long term loans obtained for investment in FFCEL and other capital expenditure projects.

Other income, mainly consisting of investment income, registered an increase of 13% over last year primarily due to timely placement of available funds for better returns and increase of 32.5% in dividend income received from FFBL.

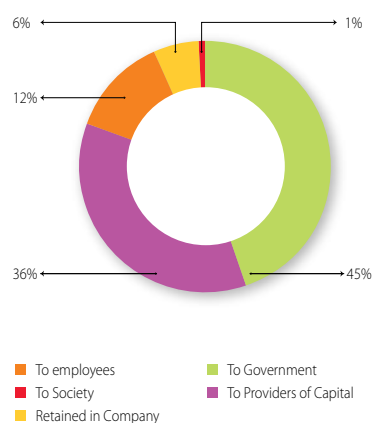
The rise in sales volume and turnover of the Company in 2010 more than offset the 23% increase in cost of sales, mainly due to increase in gas prices. Consequently, the gross profit registered an increase of 25% over last year, and both the gross profit margin and net profit margins showed a Year-on-Year growth of 1%.

Similarly, the Return on Assets (ROA) and Return on Equity (ROE) ratios of FFC also showed an increase of 12% and 6% respectively, as compared to the values last year. The rise in ROA and ROE is mainly because of increase in the Company's net income as a result of good performance.

Till the year end, the Company had appropriated Rs 8,651 million of available funds, Rs 2,205 million paid as final dividend for 2009 and Rs 6,446 million appropriated as first, second and third interim cash dividends for 2010.

Directors' Report

Wealth Distribution



Appropriations during the year were as follows:

	Rs in million	Rs per share
Unappropriated profit brought forward	2,391	–
Final Dividend 2009 @ 32.5%	(2,205)	3.25
	186	–
Net profit for the year	11,029	
Transfer to General Reserve	(500)	–
Available for appropriation	10,715	
Appropriations		
First interim dividend 2010 @ 43%	2,714	4.30
Second interim dividend 2010 @ 35%	2,375	3.50
Third interim dividend 2010 @ 20%	1,357	2.00
Unappropriated profit carried forward	4,269	6.29

Contribution to National Exchequer and Economy

FFC contributed a hefty Rs 14,648 million to the National Exchequer by way of taxes, levies, excise duty, sales tax and development surcharge during the year 2010, taking the total contribution since inception to Rs 134,272 million.

Value addition in terms of foreign exchange savings worked out to US\$ 756 million through import substitution by manufacture of 2,485 thousand tonnes of urea during the year.

Total value addition to the economy was Rs 32,615 million, a detailed distribution of which is as follows:

	2010 (Rs in million)	%	2009 (Rs in million)	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	48,027	147.3	38,965	151.7
Purchases – material and services	15,412	(47.3)	13,272	(51.7)
	32,615	100	25,693	100

WEALTH DISTRIBUTION

To Employees

Salaries, wages and other benefits including retirement benefits	4,117	12.5	3,506	13.5
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To Government

Income tax, sales tax, excise duty and custom duty	13,712	42.0	12,683	49.4
WPPF and WWF	936	2.9	951	3.7

To Society

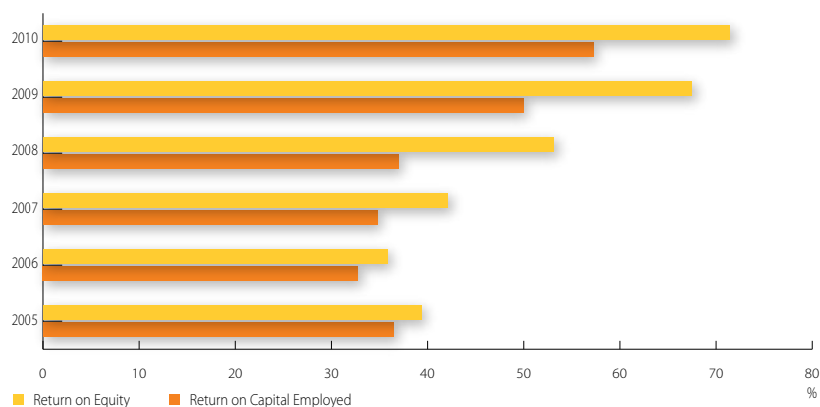
Donations and welfare activities	255	0.8	96	0.4
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To Providers of Capital

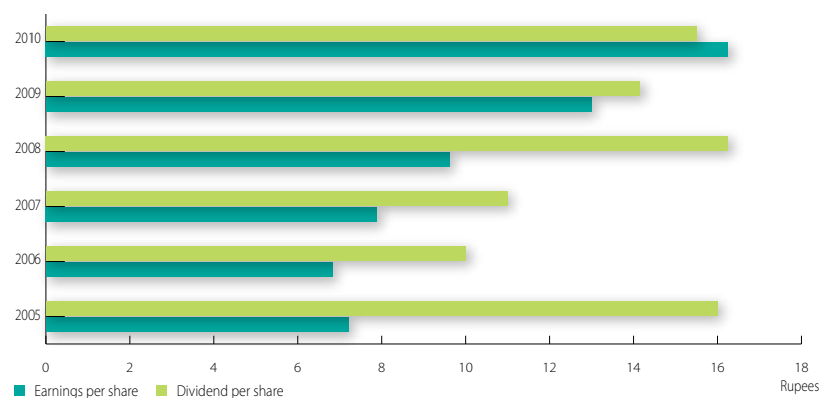
Dividend to shareholders	10,622	32.6	6,448	25.1
Finance cost of borrowed funds	1,096	3.4	992	3.9

Retained in the Company	1,877	5.8	1,017	4.0
	32,615	100	25,693	100

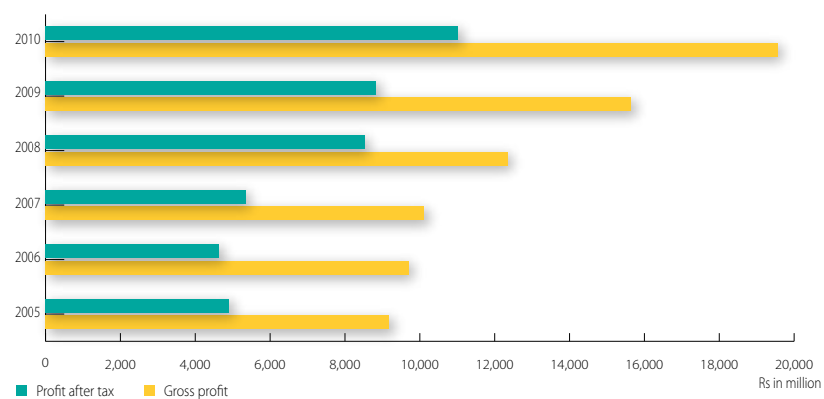
Return on Equity & Capital Employed



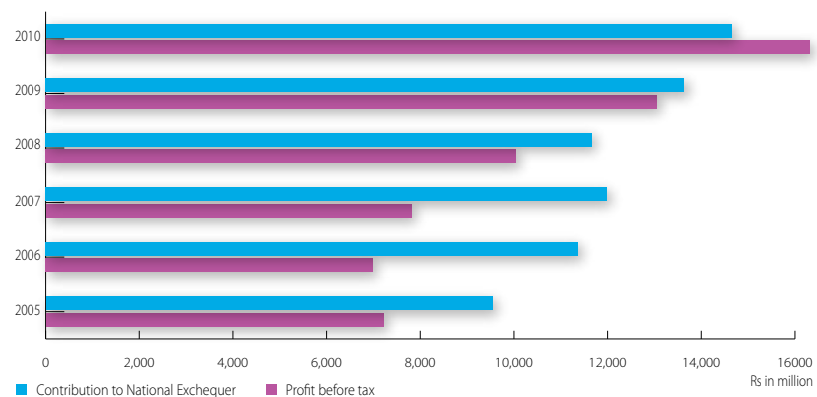
Dividend & Earnings per Share



Profitability

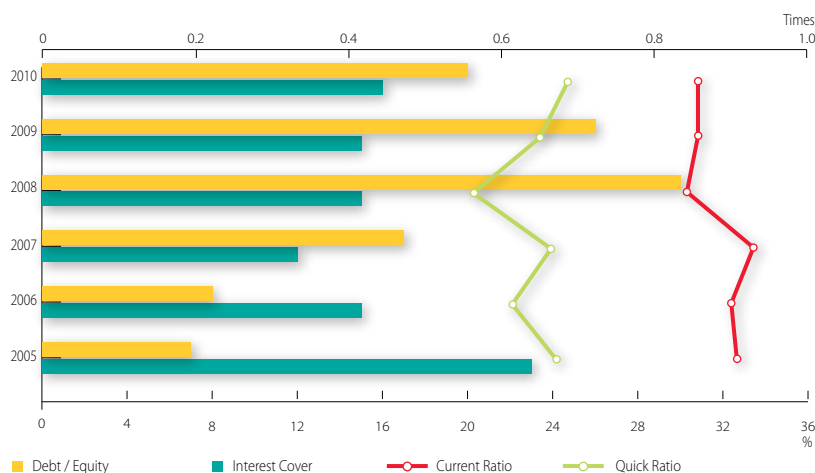


Net Profit before Tax & Contribution to National Exchequer

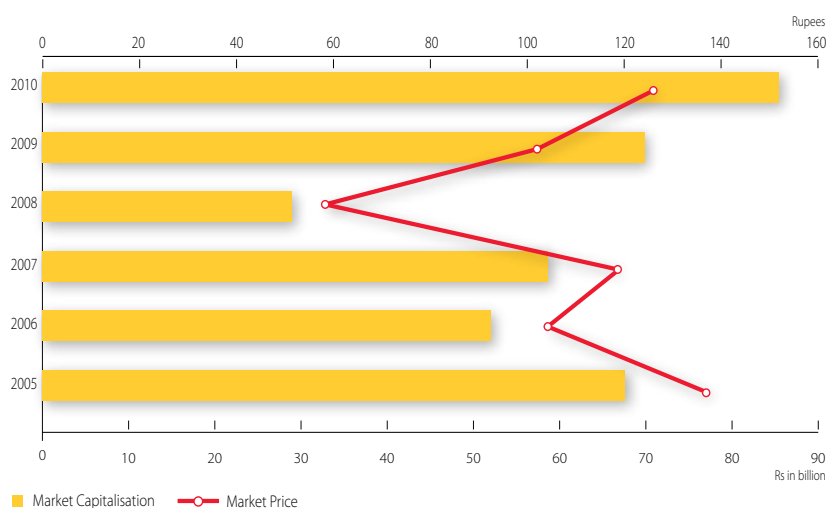


Directors' Report

Leverage & Liquidity Ratios



Market Capitalisation & Market Price



Treasury Management

The Company has a strong working capital management system. Dedicated and competent employees prepare forecasts and regularly monitor progress. Inflows and outflows of cash and other liquid assets, including investments, are managed to achieve optimal working capital cycle. Working capital requirement is largely met with internally generated cash and only minimal reliance is placed on short term borrowings.

Company also manages a portfolio of long term and short term investments, made after thorough financial evaluation. Long term investments include investment in FFBL, FFCEL, PMP and FCCL.

Capital Market and Market Capitalisation

Pakistan's capital market is largely denoted in terms of annual performance of the Karachi Stock Exchange. Over the period of 6 years, market capitalisation has increased from Rs 2,767 billion to Rs 3,269 billion, a rise of 18%, whereas, listed capital has increased drastically by 78% from Rs 515 billion to Rs 919 billion.

FFC's market capitalisation stood at Rs 85,396 million, 22% improvement since last year. Market price during the year suffered fluctuations between the highest of Rs 128.50 per share to the lowest of Rs 101.10 per share, closing at Rs 125.86 per share on December 31, 2010.



*Mr Mohammad Shuaib -
General Manager Finance
receiving ICAP & ICMAP Best
Corporate Report Award*

Corporate Awards

The Annual Report of the Company for the year ended December 31, 2009 was selected by the joint committee of Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP) for Best Corporate Reports nomination and won 3rd prize in the Chemicals & Fertilizer sector.

In recognition of the Company's contribution to social development in the Country, Pakistan Centre for Philanthropy (PCP) awarded the Company with a Certificate of Recognition in its Corporate Philanthropy Awards 2010. Company stood 12th among 548 public listed companies surveyed by PCP.

FFC ensured its inclusion in the top 25 listed companies' list, annually published by Karachi Stock Exchange, for the 16th consecutive time, securing 5th position in the year 2009.

Financial Commitments

The Company had Rs 3,047 million worth of financial commitments at year end for procurement of goods and services and investment for which the Company has the ability and intention to fulfill. Details of these commitments are listed below:

No.	Description	Rs in million
1	Purchase of property, plant and equipment	1,412
2	Purchase of stores and spares	334
3	Proposed investment in FFCEL	1,163
4	Rentals under lease agreements	138
	Total	3,047

Directors' Report



Risk Management

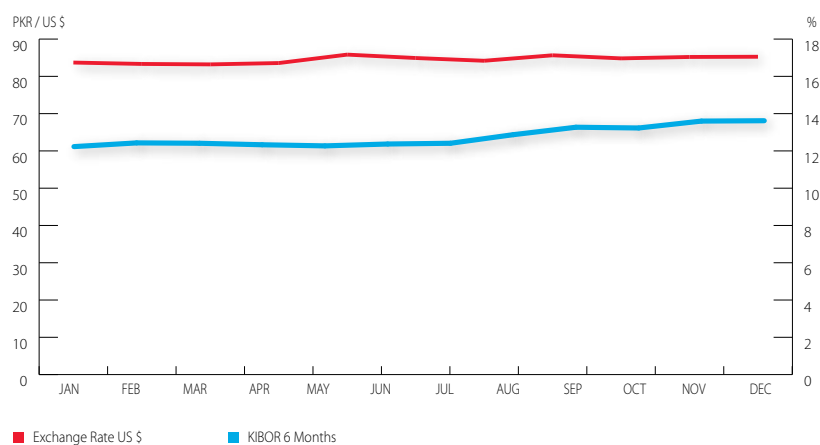
Business is all about risks, but only those who successfully foresee these risks and adopt appropriate strategies for their mitigation are successful. Economic, political and environmental instabilities of a business environment and inherent risks within the nature of a business expose even the strongest of companies to a certain level of external risk.

Risk management is an ongoing process involving assessing and identifying individual risks posed to the Company, and evaluating the potential impact. These risks need to be managed by developing appropriate responses and measuring the effectiveness of mitigating techniques used.

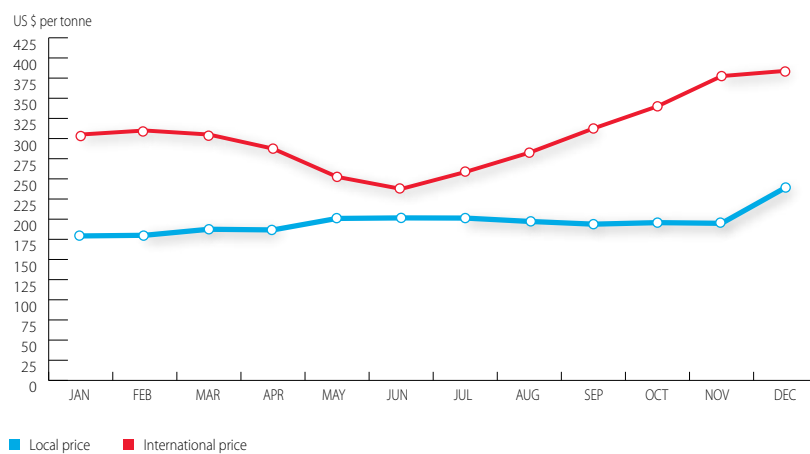
Major risks faced by FFC along with mitigating factors are listed below:

No.	Risk	Mitigating Factors
1	Technological shift rendering FFC's production process obsolete or cost inefficient.	Being pro-active, FFC mitigates this risk through balancing, modernisation and replacements carried out at all the production facilities, to ensure that our production plants are state of the art and utilise latest technological developments for cost minimisation and output optimisation.
2	Decline in international price of urea, forcing a local price fall.	FFC's current margins are adequate to weather such an eventuality.
3	Strong market competition arises, lowering demand for FFC's product.	FFC combined with FFBL currently holds 49.1% urea market share, and opportunities for expansion of production capacity are being evaluated to increase or maintain the market share.
4	Rise in KIBOR rates inflating the borrowing costs.	FFC has hedged this risk of fluctuation in interest rates for long term finances by holding "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates. Furthermore, deposits and short term investments at floating rates minimise the adverse affects to some extent.
5	Default by Customers and Banks in payments to FFC.	This risk is being managed by encouraging cash and advance sales, constituting more than 95% of total sales. For credit sales, credit limits have been assigned to customers, backed by bank guarantees. Risk of default by banks has been mitigated by diversification of placements among 'A' ranked banks and financial institutions.
6	Insufficient cash available to pay a liability resulting in liquidity problem.	The cash management system of the Company is pro-active and adequate funds are kept available for any unforeseen situation. Furthermore, committed credit lines from banks are available to bridge the liquidity gap, if any.
7	Fluctuations in foreign currency rates.	FFC's foreign currency exchange rate risk is limited to foreign currency investments and bank balances bearing interest. Any fluctuation in exchange rates would be mitigated to some extent by resultant change in interest rates.

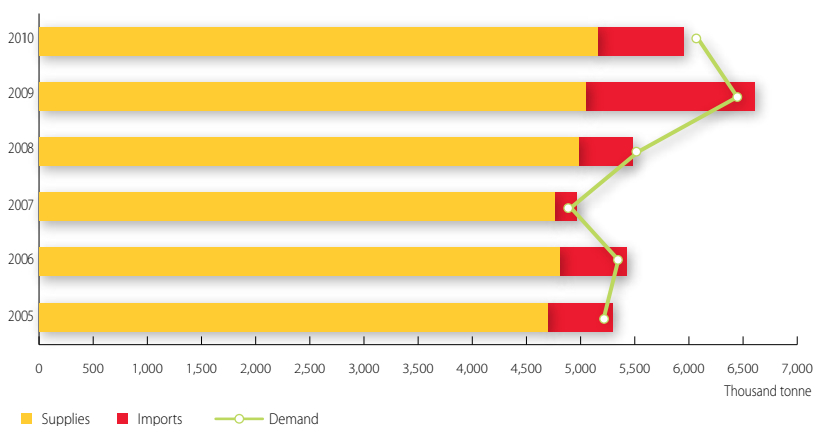
Six Months' KIBOR & Exchange (US\$) Rates



International Vs Local Urea Prices



Industry Urea Market Supply Vs Demand



Directors' Report

Consolidated Operations & Segmental Review

The consolidated results of the group show a remarkable 21% increase in sales revenue over last year's Rs 72,915 million, reaching Rs 88,155 million in the year 2010. Resultantly, gross profit and net profit after tax registered an increase of 30% and 42% respectively. Brief analysis of each company of the Group is as follows:

Fauji Fertilizer Bin Qasim Limited (FFBL)

FFC holds 50.88% shares in FFBL amounting to Rs 4,752 million. Return on this investment during the year was Rs 2,519 million, approximately 32.5% higher than last year due to outstanding performance by the Company, producing 524 thousand tonnes of Sona Urea (Granular) and 660 thousand tonnes of DAP which were sold by FFC earning FFBL Rs 43,257 million in sales revenue, translating into Rs 6,514 million of net profit after tax and Rs 6.97 EPS. FFBL successfully implemented SAP, an Enterprise Resource Planning system, cutting down processing time of financial transactions and improving efficiency of business processes.

Looking forward, FFBL foresees progress in the DAP market. During 2010, the market suffered a decline due to price hike and flooding but with rising awareness of utility of DAP and stability in farmers' spending capacity, the market is expected to recover and expand.

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

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

Principle activity of PMP is production of phosphoric acid which is used as a raw material in production of DAP by FFBL. This arrangement establishes an uninterrupted route for supply of raw material to FFBL.

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

Fauji Cement Company Limited (FCCL)

FCCL is a cement manufacturing company with annual production capacity of 1,165 thousand tonnes. Installation of a new production line with daily capacity of 7,200 tonnes is underway, expected to be commissioned next year taking the total production capacity to 3,326 thousand tonnes.

FFC holds 12.63% shares in FCCL amounting to Rs 1,500 million. FCCL closed its first quarter on September 30, 2010, earning Rs 106 million as net profit after tax but due to expansion program and unstable

cement prices, no dividend has yet been declared by the Company.

With the installation of the new production line, FCCL shall strengthen its industry leadership and continue to provide premium quality cement.

FFC Energy Limited (FFCEL)

FFCEL is currently a wholly owned subsidiary of the Company, with equity investment of Rs 650 million at year end. The total project cost aggregates to US\$ 133.5 million.

Major milestones for establishment of the 49.5 MW wind farm in Jhimpir, Sindh have been achieved which include execution of Engineering Procurement & Commissioning and Operations & Maintenance Contracts with Nordex, Germany who have partnered with Descon Engineering Limited in Pakistan.

The Tariff for the project has been determined by National Electric Power Regulatory Authority. Negotiations with National Transmission & Despatch Company regarding the Energy Purchase Agreement, with Alternative Energy Development Board related to the Implementation Agreement and with consortium of local banks for project financing are close to finalisation. After Financial Close, it will take sixteen months to construct the facilities and, if all goes well, the Company expects commercial generation by mid 2012.

*Winning through
the spirit of
partnership*

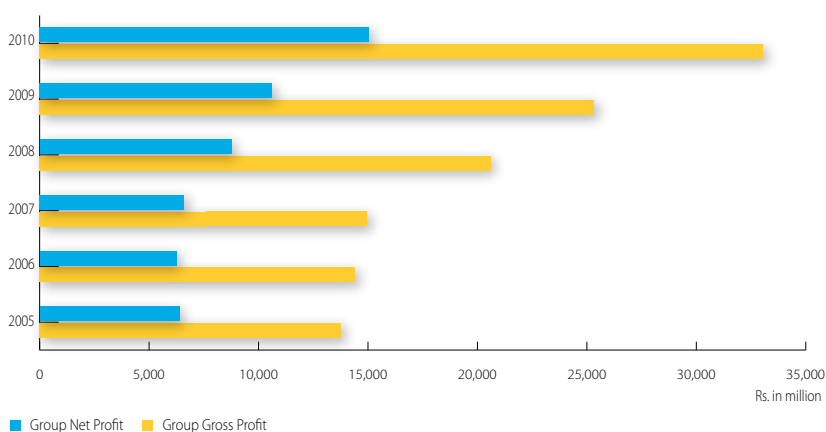
Being the pioneer project in Pakistan, FFCEL has become a benchmark for the Wind Industry. This project will pave the way for setting up of many more wind farms to reduce dependency on fossil fuel. FFC currently has the option to establish two more wind farms of similar capacity in the same area.

Subsequent Events

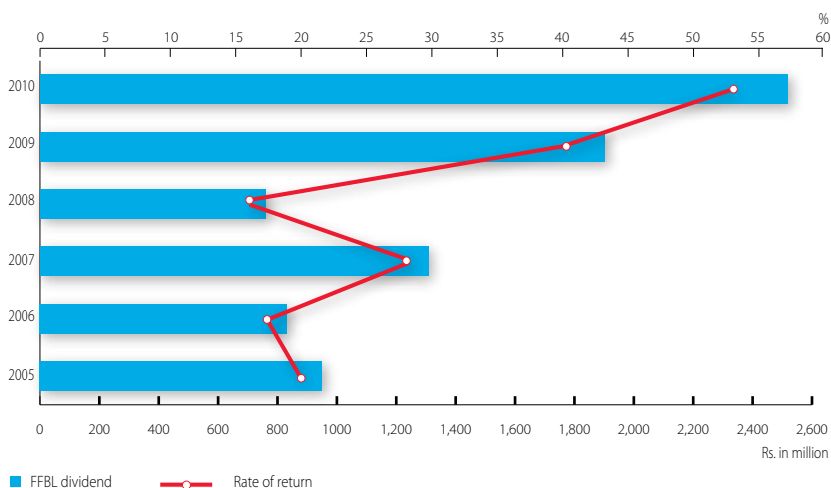
Board of Directors are pleased to announce a final cash dividend of Rs 3.50 per share i.e. 35% and bonus shares of 0.25 per share i.e. 25%, for the year ended 2010, taking the total payout for the year to Rs 15.50 per share i.e. 155%. Increase in authorised share capital by Rs 5 billion and movement from un-appropriated profit to general reserve of Rs 1,700 million were also approved in the meeting held on January 27, 2011.

Meeting of the Board of Directors of FFBL was held on January 25, 2011, in which a final cash dividend of Rs 3.50 per share i.e. 35% was declared. FFBL's total payout for the year was Rs 6.55 per share i.e. 65.5%.

Group Profits



Return on FFBL investment

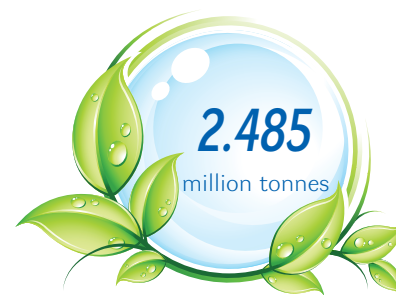


Directors' Report

Operational Performance

With the strong technical expertise of our people we have achieved highest ever production scaling new heights

Mr Tahir Javed
Group General Manager
Manufacturing & Operations



Production

Overall performance was outstanding, with production of 2.485 million tonnes of urea utilising 121% of combined nameplate capacity of 2.048 million tonnes, higher by 20 thousand tonnes compared to last year's production. This was possible by extensive Balancing, Modernisation and Replacements and untiring efforts of our experienced and committed technical staff.

A major production challenge was the gas curtailment imposed by the Government of Pakistan from 2nd quarter of the year, limiting gas offtake at all three plants, which resulted in a urea production loss of 35 thousand tonnes during the year.

Plants I & II - Goth Machhi

Operational performance of both plants at Goth Machhi showed unparalleled accomplishment, reaching new heights of operational efficiency and setting new benchmarks for years to follow. Plant-I produced 867 thousand tonnes, the highest ever by any of FFC's plants. Daily and monthly production records were also redefined by Plant-I to highest ever levels of 2,610 tonnes and 80.1 thousand tonnes, respectively, which is evidence of the continuous efforts being made to maximise utility of existing production facilities.

Turnaround-2010

The 9th maintenance turnaround of Plant-II was completed within a record time of 13 days, meeting all the safety requirements and improving the energy index by 0.75%.

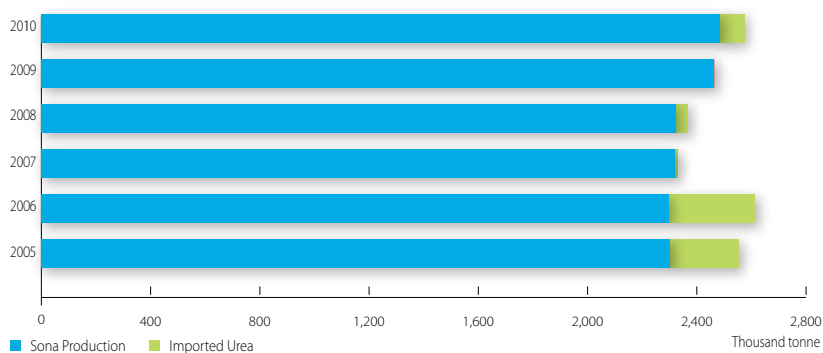
Major jobs handled during the turnaround are given below:

- Primary Reformer Furnace Refractory rehabilitation was carried out in the turnaround by a specialist team from Italy for quality assurance and long-term reliability of the furnace.
- Urea Reactor re-lining of 3 shell courses was carried out.
- Overhaul of Air Compressor was performed for the first time since plant commissioning. This challenge was accomplished successfully within planned time and resulted in compressor efficiency improvement.
- Ammonia Compressor Turbine overhauling was also performed for first time since plant erection to ensure efficiency and reliable operation in the forth-coming years.
- Up-rating of plate type heat exchangers.
- Replacement of SCC affected shell courses of process condensate column.

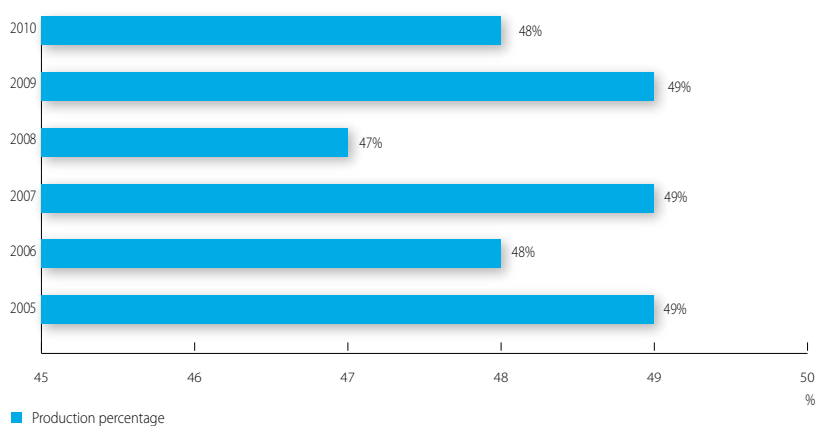


- New lean solution pump-motor set for Plant-II was installed in parallel to existing pumps, along with associated piping to improve plant operational reliability.
- Synthesis Compressor Turbine exhaust bellow was replaced because of the chronic leakage history affecting condenser vacuum.
- Instrument and control systems re-engineering.
- Condition evaluation of diesel tank.

Urea Production & Imports



Production vs Total Industry Production



Directors' Report



Plant III – Mirpur Mathelo

Performance of Plant III was also excellent during the year, surpassing all previous records. Highest ever 'Sona' urea production of 811 thousand tonnes was achieved, marginally higher compared to previous best of 810 thousand tonnes in 2009.

New standards were set in daily urea production, wherein the Plant produced 2,410 tonnes (110.8% plant load). Maximum continuity record of 131 days was also achieved, longest since acquisition of the Plant by FFC.

Energy conservation has always been the prime focus and its role has become critical in view of prevailing plant load limitation due to gas curtailment. Substantial improvement in Plant energy

efficiency was achieved through optimisation measures, resulting in yearly saving of Rs 242 million due to reduction in fuel gas consumption. Additional production gain from natural gas saving is ~ 32 tonnes per day. Lowest ever specific energy consumption record of 6.31 Gcal/tonne urea was achieved in November 2010.

Planned Shutdown 2010

Plant-III planned shutdown was executed during the year, with the following major replacements:

- Complete replacement of Low Temperature Shift Converter catalyst was carried out. The replacement helped in improving energy efficiency and production capacity.
- BFW pre-heater was successfully replaced with new high capacity

exchanger to prevent frequent tube failure and aging problems in the old one. Extensive rigging was involved in the job. To reduce replacement time, tube side inlet / outlet lines were completely prefabricated and installed on the new exchanger.

- Replacement of ID fan motor, causing tripping of turbine TK-201, with a newer one with higher rating (900 kW) was successfully carried out.
- Synthesis gas compressor inter-cooler was replaced with new larger size exchanger to fix its tube leakage problem, which is operating satisfactorily.

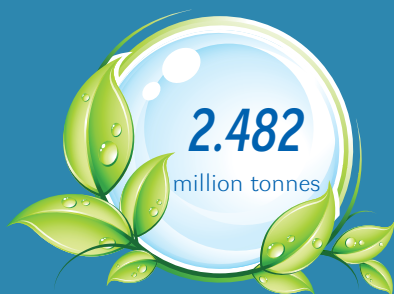
Utilisation of in-house facilities at Goth Machhi and Mirpur Mathelo for fabrication of equipment & spares resulted in a saving of Rs. 167 million in the Year 2010.

*Tapping into
the next wave
of innovative
ideas...*



Directors' Report

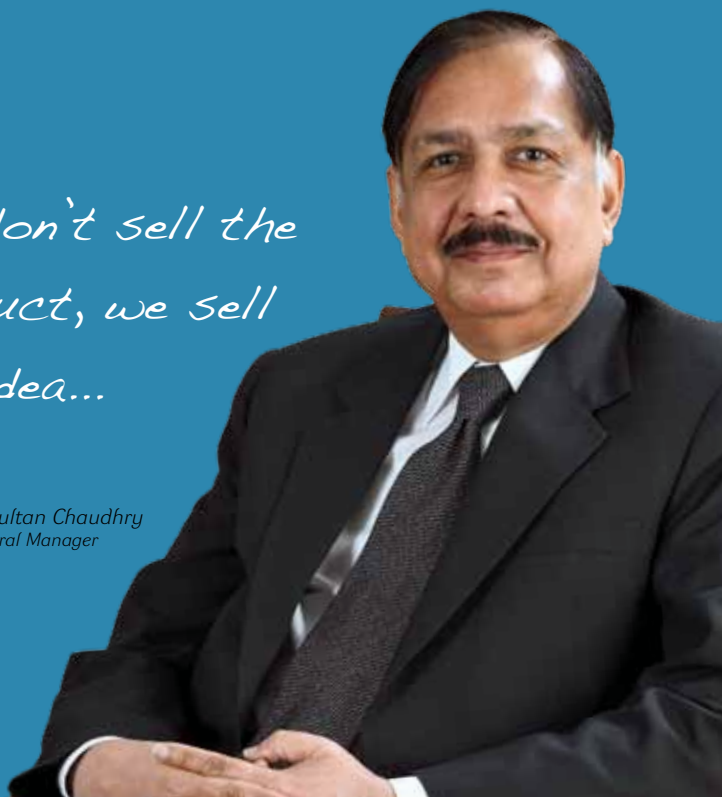
Market Overview



Urea Sales

We don't sell the product, we sell the idea...

*Mr Asad Sultan Chaudhry
Group General Manager
Marketing*



Global Business Environment

The world economy is on its way to recovery, bailed out by massive fiscal incentive packages in many countries and some relative improvements in consumer spending. The global fertilizer market became stable in 2010 as the fertilizer demand started to recover in the middle of the year. In addition, crop and fertilizer prices have stabilised to pre-crisis level, creating more stable market conditions in the agriculture sector. Energy availability is becoming a serious issue for fertilizer manufacturers; availability of gas is also becoming the limiting factor in many countries across the globe.

During the year, China continued with differentiated tariffs strategy on the export of fertilizers and raw materials on the basis of peak demand and off-season periods. Considering the growth in Chinese fertilizer consumption, China has

imposed taxes to discourage exports, which may affect the world fertilizer prices and supply demand situation in 2011.

Agriculture Sector

The economy of our Country is significantly dependent on agriculture sector, a sector directly or indirectly affecting majority of the population and employing an estimated 45% of the labor force. Agriculture sector contributes almost 22% to the Country's Gross Domestic Product. Major crops sown are Wheat, Cotton, Rice, Sugarcane and Maize. Wheat, being the top most, occupies almost 40% of cultivated area and consumes 50% of the total fertilizer demand.

Domestic Fertilizer Market

During the year, heavy monsoon rains followed by unprecedented floods played havoc across the Country, leaving agriculture sector devastated, resulting in a 31%

decline in Industry urea sales during the third quarter of the year. This decline in sales along with huge urea imports of over 800 thousand tonnes during Kharif season resulted in urea inventory buildup with the companies and industry urea inventory touched 801 thousand tonnes mark at the end of October 2010. This deficiency in sales was covered by a hike in demand of urea during the last quarter due to early sowing of wheat in flood affected areas, low sales in the third quarter and rumors of RGST imposition by the GOP. Sales during the last quarter registered a growth of 4% over the corresponding period last year.

Total industry urea production was 5,153 thousand tonnes for the year 2010, 2% higher than 5,046 thousand tonnes produced during 2009. This is a significant growth considering the fact that gas curtailment hampered urea production during the year.

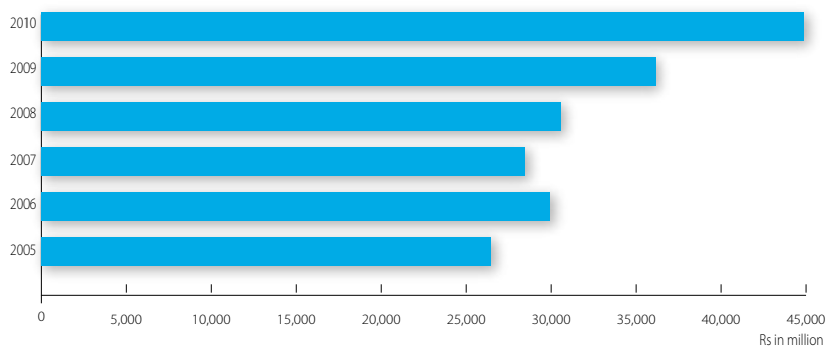


Consequent to the local market situation, Government reduced the import of urea by 43% as compared to 2009.

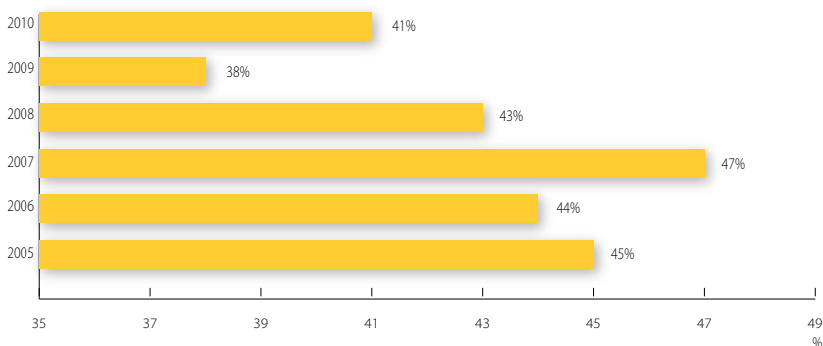
Cumulatively, industry sold 6,091 thousand tonnes of urea, 6% lower than prior year. Domestic DAP market sales also suffered a decline of 26% during 2010, mainly due to lower farmer spending capacity and higher domestic prices. Industry carried heavy DAP inventories during the third quarter of this year. Importers were uncertain about the local DAP market and in this situation they remained almost sidelined. International DAP prices increased by 38% during the year, reaching a towering US\$ 575-600 per tonne by the end of year.

DAP production during the period stood at 659 thousand tonnes, which was 22% higher than 540 thousand tonnes produced last year.

Sales Revenue



Sales vs Industry Urea Sales



Directors' Report



Marketing

FFC Marketing Group is responsible for marketing the products of both FFC and FFBL and is a well organised establishment managed by competent and experienced employees, committed towards the success and growth of the Company. Year 2010 brought new challenges for FFC Marketing, as the competition in the market grew stronger and flooding caused a steep decline in fertilizer demand. Price of urea witnessed a steady rise throughout the year, rising 34% above average prices at the start of year, while DAP prices followed the steep rise in international prices, rising 36% over the year.

Despite a decline of 6% in industry urea sales, FFC achieved 1% growth over the year, which is evidence of the effectiveness of Marketing Group and goodwill of the brand name 'Sona'. Marketing Group closed the year with urea sales volume reaching 2.482 million tonnes, highest ever

in the history of FFC, made possible by successful execution of carefully planned farsighted marketing strategy. Despite a decline in sales during the third quarter, excess stock was brilliantly managed in the warehouses and was made available timely to fulfill the rise in demand in the last quarter.

Imported fertilizer sales showed an increase of over 100% despite 26% rise in average prices over the year. FFC managed to sell 66 thousand tonnes of DAP and 21 thousand tonnes of other imported fertilizers taking the total fertilizer sales during the year to new heights of 2.569 million tonnes, 3% higher than prior year. Sale of FFBL's Sona Granular of 524 thousand tonnes witnessed a decline of 16%, mainly on account of gas curtailment.

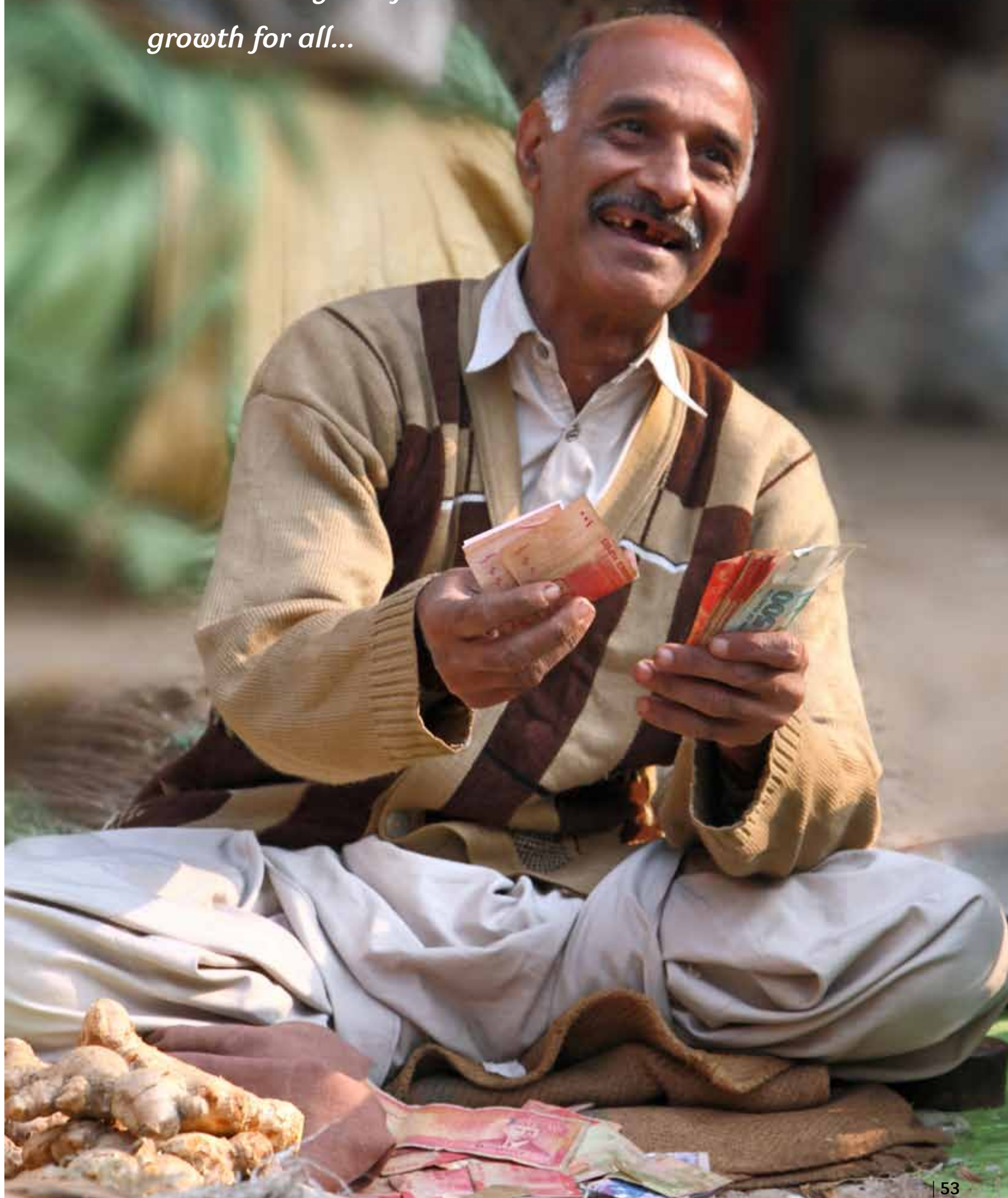
FFC is well positioned in the market to face the challenging competition. As per National Fertilizer Development Corporation's Statistics,

cumulative market shares of FFC and FFBL in urea and DAP markets were 49.1% and 54.4% respectively, as compared to 47.6% and 42.0% last year.

Farmers, being the end consumers of fertilizers, are not educated enough to know the difference between numerous types of fertilizers available and their application. FFC not only sells fertilizers but also educates the farmers about their fertilizer needs and their proper usage. This includes educating the farmers regarding the crops to be fertilized, the types of fertilizers to be used for different crops and the appropriate season for these crops.

Our aim is to make the agriculture sector self-reliant, high-yielding and consistently growing so that our Country matches the international yield benchmarks, besides meeting local demand and extending surplus agricultural produce across the borders to earn precious foreign exchange.

*FFC - a catalyser of
growth for all...*



Directors' Report

Human Capital

We invest in our employees, expecting a return of nothing more than a smile..



Per Capita Employee Benefits

Mr Saulat Hussain
General Manager
Human Resources

FFC's human resource strategy focuses on maximising return on investment in the organization's human capital to minimise financial risk. We seek to achieve this by aligning the supply of skilled and qualified individuals and the capabilities of the current workforce with the organization's ongoing and future business plans and requirements to maximise return and secure future survival and success.

To ensure that these objectives are achieved, our human resource function does not only fulfil the organization's human resource requirements, but also endeavors to do so pragmatically, taking account of legal and ethical boundaries, in a way that retains the support and respect of the workforce.

Human Resource Development

We have a framework of human resource development, engulfing training and education of employees, which consists of a three steps process of first assessing employees' competencies, training them for their job, and then encouraging development of the employees through education. This leads to fulfillment of organization's long-term needs and augments individuals' career goals by enhancing employees' value.

Employee Retention

Since inception of the Company, we have believed in our competent workforce and, thus, strive to retain it for a better future. Annual turnover of employees over the last 6 years stands at a meager 4% per annum. Total number of employments generated by FFC has reached 2,997, 8.5% higher than last year.

Employee Benefits

FFC being a caring employer, rewards its employees for its success. A total of Rs 4,117 million were paid to the employees of the Company as salaries, wages and other benefits during the year, 17% higher than last year.

At FFC, we also offer our employees multiple retirement benefit plans, through which a total of Rs 72 million were paid to the outgoing employees during the year.

Consequent to recent flooding in the Country, FFC launched a support program for its employees affected by the flood for their welfare and rehabilitation.

*Our people!
Essential
element of
our success*



Directors' Report



Retirement Benefit Plans

Retirement benefit funds of the Company were valued at Rs 3,923 million, showing an increase of Rs 901 million compared to last year as a result of increase in interest rates.

As per the latest audited accounts for the year ended December 31, 2009, detail of investments made by these funds is as follows:

Fund	Amount (Rs in million)
Provident Fund	1,843
Pension Fund	963
Gratuity Fund	721

Code of Ethics for Employees

Adherence to the best ethical standards in the conduct of business is a goal that the Board of Directors has built into the Company's moral foundations. A code of

conduct for the employees and Directors of the Company is circulated annually and acknowledgement is received from each employee and Director, confirming their understanding and acceptance of the Code.

Salient features of the Code of Ethics include:

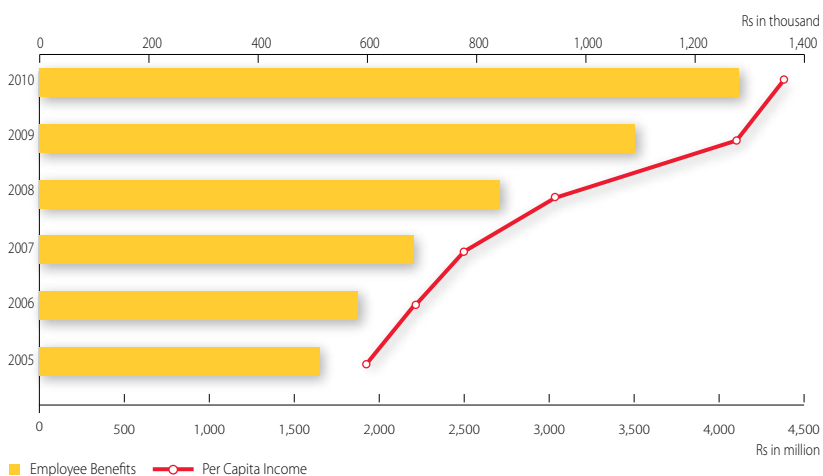
- Conduct of activities with honesty, integrity, truthfulness and honor.
- Compliance and respect of applicable laws and regulations and to refrain from any illegal activity.
- Respect of fellow members and employees and not to use ones position for undue coercion, harassment or intimidation.
- Impartiality in business dealings and refraining from any transaction involving personal interest on behalf of the Company.
- Avoidance of conflict of interest by Directors, or appropriate disclosure in case of inability to avoid conflict.

Talented and motivated people - our identity, our voice, our future!

- In case of unavoidable personal interest, extreme care shall be exercised and the matter should be reported.
- Refrain from businesses or dealings conflicting with Company's interests.
- Confidentiality of Company's sensitive information by Directors and employees of the Company.
- Discourage any kind of discrimination among the employees.

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

Employee Benefits



Directors' Report

Corporate Social Responsibility



Welfare Activities

*We are committed
to an active and
responsible corporate
citizenship*

Brig. Fiaz Ahmed Satti (Retired)
CCO

Corporate Social Responsibility (CSR) is the integration of social and environmental concerns into a business model. Historically, FFC has always been a socially responsible corporate entity. The Company started its CSR activities in 1978 by introducing Agri-Services thus helping in poverty alleviation of common farmers and assisting them in sustained empowerment. The organization's values are exemplified in a range of corporate initiatives designed to impact positively on the lives of multiple stakeholders.

CEO of the Company has taken the initiative to give a new direction to CSR, transforming it from donations and welfare activities under different departments, planned and supervised at local level, to a centrally controlled strategic function, aligned with international guidelines and standardised to ensure quality. Now that FFC has become a member of covenants like United Nations Global Compact, we need to stay committed to its principles. Businesses are increasingly expected to support and respect human rights. There are pressures for corporate responsibility beyond traditional forms of compliance and philanthropy. The failure of governments to resolve many social problems has led to expectations of businesses for increased social responsibility. Stakeholder engagement is also at the heart of CSR, shifting profit maximisation focus from shareholders to adopting a balanced approach to all stakeholders. Taking these aspects into consideration, FFC has recently constituted a CSR Committee for meaningful progress in social responsibility.

Safety and Health

Safety and health are not simply other aspects we look to control; it is what drives us, how we manage, perform and live. We are proud of our approach, which provides a safe and healthy work environment for all our employees.

- Personnel and equipment safety has primacy over all business requirements and we remain dedicated to maintaining the highest standards of safety, which are followed as per international standards.
- Cumulatively, 15 and 9 million man-hours of safe operations were completed by the end of Year - 2010 at plant-sites Goth Machhi and Mirpur Mathelo, respectively, signifying the success of our safety procedures.
- Dry run exercises for heavy ammonia leakage were carried out to assess the emergency procedures in place and response time of the employees to cater for any unforeseen circumstances.
- Fire fighting, rescue training and household safety training for house wives were arranged. Special emphasis was placed on safety awareness of haulage contractors' drivers.

Shareholders <ul style="list-style-type: none"> Value Creation Transparent reporting Safeguarding of assets Trust relationship 			
Consumer <ul style="list-style-type: none"> Consumer relations Credit facility Timely delivery Demand fulfilment 	Market Place 	Work Place 	Labor Unions <ul style="list-style-type: none"> Working conditions Safety and health Wages and benefits
Government <ul style="list-style-type: none"> Compliance of legal framework Timely payment of taxes 			Employees <ul style="list-style-type: none"> Working hours Adequate remuneration Work environment
Environment <ul style="list-style-type: none"> Reduce harmful emissions International environmental standards certifications Promote paperless environment 	Environment	Community	Local Community <ul style="list-style-type: none"> Corporate philanthropy Provision of health services Promoting education Sponsor sporting events Donations for the needy Rehabilitation of people affected by natural calamities

Environment

FFC manages its impact on environment by minimising harmful effects of its emissions, both gaseous and liquid. Strict monitoring of plant effluents is done on continuous basis to control their disposal within National Environmental Quality Standards [NEQS] limits. FFC continues to introduce most modern and environmental friendly technologies in its manufacturing processes.

FFC has optimised water usage by recycling water and minimising its wastage. Furthermore, FFC has been working in partnership with Forest Department in plantation of trees in 30 Government schools and shall continue this partnership in 2011.

During the year, re-certifications of Quality, Occupational Health & Safety and Environmental Management Systems as per the requirements of ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004 international standards were obtained.

Contribution to Society

Schools

- Sona Public School, presently teaching 362 students, was constructed by FFC in 2007, providing all necessary educational facilities including a science lab, library, resource center and computer lab.
- Sona Computer Institute has been established and registered with Sindh Board of Technical Education, Karachi. The Institute is providing education in the field of Information Technology to the local community. Total of 107 students have successfully completed different courses so far.
- The foremost opportunity to empower the community in areas around the Plant is imparting education. FFC has been encouraging education to the less privileged talented

youth by providing them scholarship. The scholarship is in three different categories including scholarship to the wards of farmers, assisting them in transforming their future.

Adopted Schools

- Ten Government Boys & Girls Schools, adopted in the year 2006, were provided financial support to the tune of Rs. 1 million during the year for improvement of schools' infrastructure. Training sessions were also arranged for character building of teachers and promoting personal hygiene of students.

Directors' Report



- To enhance the teaching skills of teachers of adopted schools a teaching skills workshop on “Lower elementary Montessori teachers program” aimed at 6 to 9 years children was held in July by a team from Pakistan Montessori Council Islamabad, which was attended by all teachers of adopted schools.
- Prize distribution ceremony of adopted schools was held during the year, awarding prizes to the position holders and distributing gifts among other students.

Hospitals

- Sona Welfare Hospital, Mirpur Mathelo was constructed at a cost of Rs 12.5 Million in 2006. It has 10 beds for indoor treatment and is equipped with high-tech X-ray, ultrasound & pathology laboratory. It has a capacity of providing outdoor

treatment to about 100 patients per day. During the year, the hospital provided treatment to 18 thousand patients.

- The Coronary Care Unit is designed to provide life saving advance treatment to cardiac patients. This facility is equipped with latest medical equipment & monitoring systems and was handed over to District Headquarter Hospital, Mirpur Mathelo in 2008.
- 32 free medical camps were organised in surrounding villages of FFC production facilities including eye camps, skin camps and general medical camps under the supervision of specialist doctors from Rahim Yar Khan & Sukkur.
- Hazrat Bilal Trust Hospital was established in 1986 adjacent to Goth Machhi Plant. Initially, it

had a capacity of 10 beds but gradually it was expanded to 22 beds, and can now cater for about 125 outdoor patients per day. A new 25 beds building is under construction which will further enhance the provision of medical facility to patients.

Poverty Alleviation

Technical training is considered to provide immediate relief from the shackles of poverty by imparting useful practical knowledge of basic technical trades at the Technical Training Center at Goth Machhi. Additionally, FFC operates several Agri Centers where farmers are provided guidelines to improve their yield per acre and are also introduced to new research in agriculture.



FFC Sponsored Sports Events

FFC also sponsored various sports events held by the local administrations of Sadiqabad and Rahim Yar Khan including the following national events:

- 15th Tour De Pakistan International Cycle Race - 2010
- T-20 Deaf Cricket National Championship - 2010
- Solidarity Games - 2010
- All Punjab Girls Handball Championship
- Jashan-e-Baharan District Handball Tournament
- Sona Cup District Kabadi Tournament - 2010
- 2nd Summer Season district football Tournament - 2010
- Jashan-e-Aazadi District Throw Ball Tournament
- 3rd Muhammad Shamim Memorial Distt Football Tournament
- 3rd Anti Narcotics District Hand Ball Mela

Flood Relief

More than 10 million people have been affected by devastating floods in Pakistan. Unprecedented floods caused havoc along the main rivers, district Rahim Yar Khan being no exception, which has resulted in displacement of thousands of people in Sonmiani - Bhong, Jamal Din Wali, Ahmedpur Lamma and Kotsabzal. FFC, with participation of its employees, generously donated for the flood affectees by way of services, dry rations, clothes, mineral water and specially cooked foods for the people staying in relief camps. Dry rations and clothing were also distributed specially for celebration of Eid-UI Fitr. Rs 140 million were contributed by FFC for reform and rehabilitation of flood affectees.

Contribution to the Local Industries

By the Grace of Almighty and owing to continuous improved performance, the Company is well positioned to play its role in the development of the Country. Financial and technical strengths give us considerable flexibility to explore new avenues and endurance to remain the industry leader.

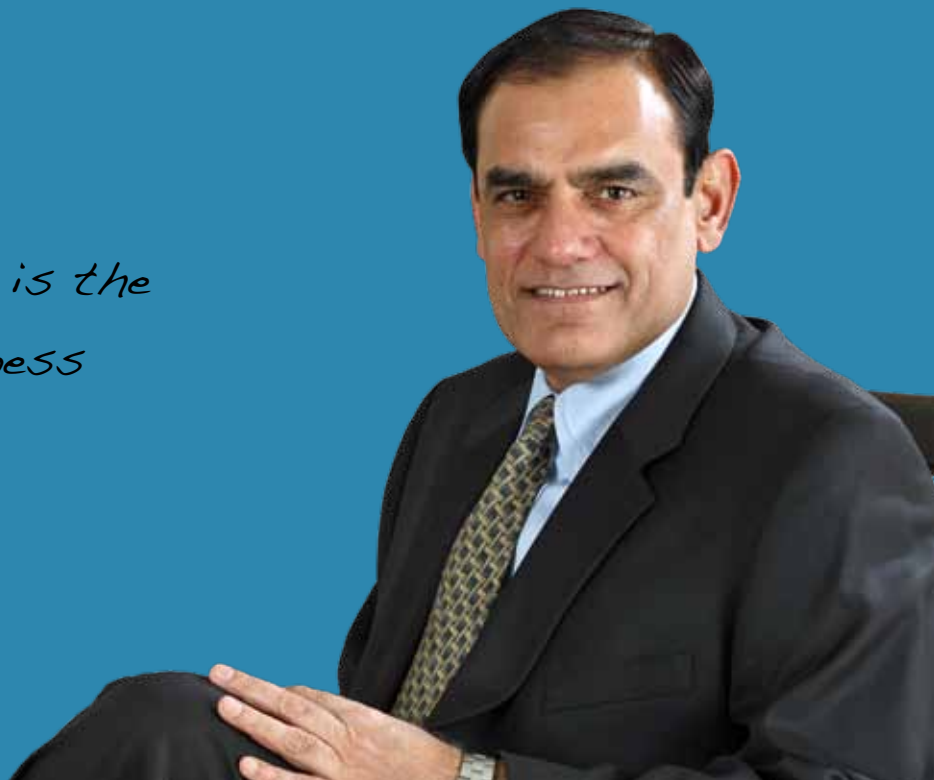
Our Technical Training Center continued to extend customised training services to other companies. Several groups from BHP Petroleum Limited., Lotte Pakistan, Engro Chemicals & Unilever Pakistan Limited. were provided training during the year. In addition to the existing courses being offered, several new courses on management and technical skill improvement were introduced.

Directors' Report

Corporate Governance

Corporate Governance is the hallmark of our business practices

Brig. Khalid Kibriya (Retired)
Company Secretary



We ensure best practices of Corporate Governance by adopting a set of processes, customs and policies, to help us direct and control management activities with good business sense, objectivity, accountability and integrity.

We believe in openness and transparent reporting to our shareholders to empower them in exercising their lawful rights. We appreciate the trust and respect shareholders have for us and endeavor to meet their expectations with honesty, responsibility and commitment to the organization.

We have made corporate governance a system of structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers. Adherence to the best ethical practices and compliance with applicable legal and regulatory requirements, in a manner that is environment friendly and supports local community needs, is also a priority.

Best Corporate Practices

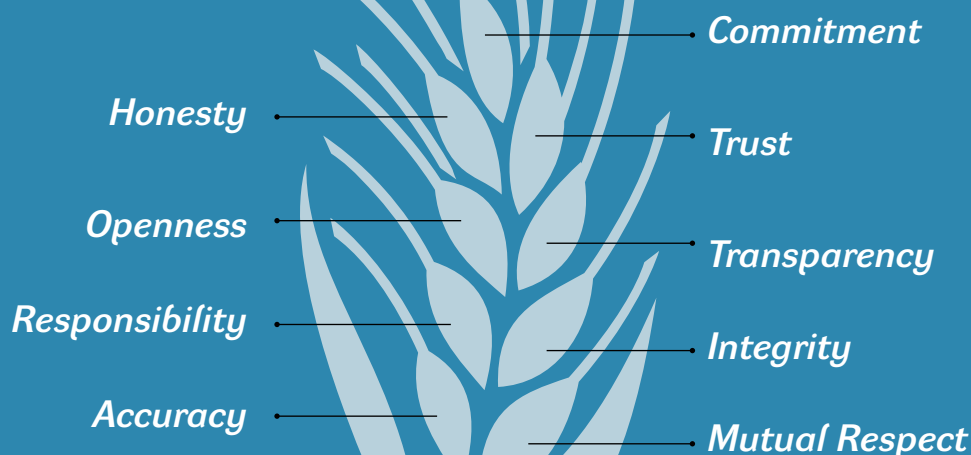
Surpassing the minimum legal requirements for good corporate governance imposed by applicable laws and regulations, FFC pursues perfection by encouraging adherence to best corporate practices setting a good example for the industry to follow.

During the year, all periodic financial statements of the Company were circulated to the Directors, endorsed by the Chief Executive and the Chief Financial Officer prior to circulation. Quarterly financial statements of the Company, along with consolidated financial statements of the Group, were approved, published and circulated to shareholders within one month of the closing date, while Half Yearly financial statements of the Company and consolidated financial statements of the Group were reviewed by the external auditors, approved by the Board, published and circulated to shareholders within the permitted time period of two months after closing. Other non financial information to be circulated to governing bodies and other stakeholders were also delivered in an accurate and timely manner.

The annual financial statements along with consolidated financial statements have also been audited by the external auditors and approved by the Board within one month after the closing date and will be presented to the shareholders in the Annual General Meeting for approval on March 01, 2011.

Composition of the Board of Directors

Legal and regulatory framework defines parameters regarding qualification and composition of the Board of Directors for smooth running of business and promotion of good corporate culture. In view of these requirements, the Company has on its Board highly competent and



committed personnel with vast experience, expertise, integrity, and strong sense of responsibility required for safe guarding of shareholders' interest.

The Board consists of 13 Directors, effectively representing the interest of shareholders including minority holders. There are 12 non-executive Directors and only 1 executive Director which confirms to and surpasses the legal requirement of 25% representation by non-executive Directors.

Roles and Responsibilities

The Directors are fully aware of the level of trust shareholders have in them and the immense responsibility they have bestowed on them for smooth running of the Company and safe guarding its assets.

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

For the purpose of ensuring consistency and standardisation, the Board has devised formal policies

for conducting business and ensures their monitoring through an independent Internal Audit department, which continuously monitors adherence to Company policies and reports any deviations observed to the Audit Committee.

Meetings of the Board

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

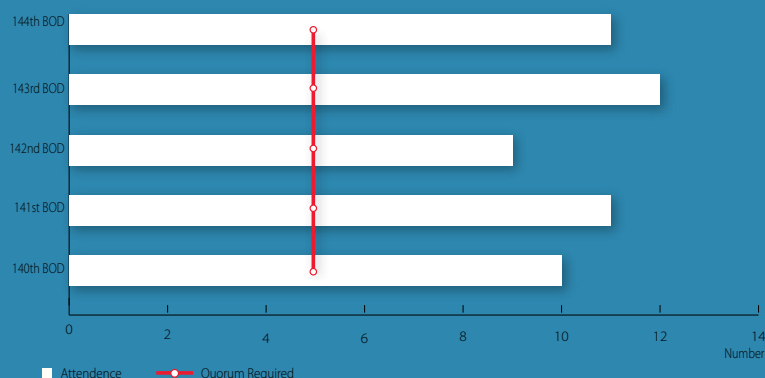
The Board held 5 meetings during the year, agendas of which were circulated in a timely manner beforehand. Decisions made by the Board during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, which were duly circulated to all the Directors for endorsement and were approved in the following Board meetings.

The Directors of the Company did not have any personal interest in decisions taken by the Board in these meetings.

All meetings of the Board had minimum quorum attendance prescribed by the Code of Corporate Governance and were also attended by the Chief Financial Officer and the Company Secretary of the Company. Details of attendance by Directors at each Board meeting are as follows:

Directors' Report

Attendance at BOD meetings



Director	Meetings Held	Meetings Attended
Lt Gen Hamid Rab Nawaz, HI(M) (Retired)	5	5
Lt Gen Malik Arif Hayat, HI(M) (Retired) *	5	5
Mr Jorgen Madsen	5	2
Mr Qaiser Javed	5	5
Mr Wazir Ali Khoja ****	3	2
Dr Nadeem Inayat	5	5
Mr Istaqbal Mehdi	5	5
Maj Gen Zahid Parvez, HI(M) (Retired) **	3	3
Brig Agha Ali Hassan, SI(M) (Retired) ***	3	2
Brig Rahat Khan, SI(M) (Retired)	5	5
Mr Shahid Aziz Siddiqi	5	4
Mr Shahid Anwar Khan	5	1
Mr Khizar Hayat Khan	5	4
Mr Tariq Iqbal Khan ****	2	1
Maj Gen Muhammad Tahir, HI(M) (Retired) **	2	2
Brig Arif Rasul Qureshi, SI(M) (Retired) ***	2	2

* Lt Gen Malik Arif Hayat is the only Executive Director on the Board. All other Directors are Non-executive Directors.

** Maj Gen Muhammad Tahir (Retired) retired from Directorship on July 15, 2010 and Maj Gen Zahid Parvez (Retired) appointed in his place on July 16, 2010.

*** Brig Arif Rasul Qureshi (Retired) retired from Directorship on July 15, 2010 and Brig Agha Ali Hassan (Retired) was appointed in his place on July 26, 2010

**** Mr. Tariq Iqbal Khan retired from Directorship on July 28, 2010 and Mr. Wazir Ali Khoja appointed in his place on July 29, 2010.

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, apart from local orientation courses and training sessions held at different universities and institution in Pakistan, Directors of FFC were sent abroad 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.

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

Changes to the Board

During the year three of our fellow Board members ended their tenure and resigned from the Board. We would like to register our appreciation for the contributions made by Mr. Tariq Iqbal Khan, Maj Gen Muhammad Tahir, HI(M) (Retired) and Brig Arif Rasul Qureshi, SI(M) (Retired) during their tenure as Board members.

We would also like to welcome Maj Gen Zahid Parvez, HI(M) Retired, Brig Agha Ali Hassan, SI(M) (Retired) and Mr Wazir Ali Khoja on the Board of Directors. We hope FFC would benefit from this change in the composition of the Board and

the members would work cohesively as a team for the benefit of the organization and to generate new ideas for progress and improvement.

Core Competencies

The Board comprises highly qualified professionals from all disciplines to ensure effective and efficient decision making. The Board includes professionals from the Armed Forces, Finance and Engineering, to form an excellent combination of highly experienced professionals to run the affairs of the Company.

Board's Performance

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

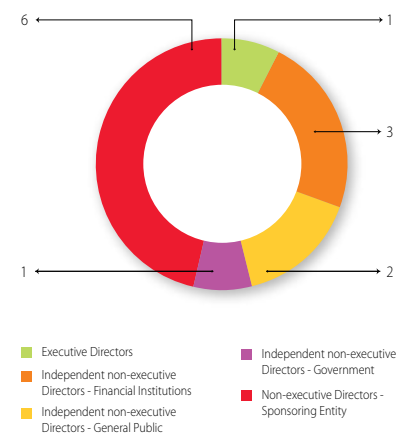
The annual review of the Board is based on the progress of the Company in the following major functions:

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

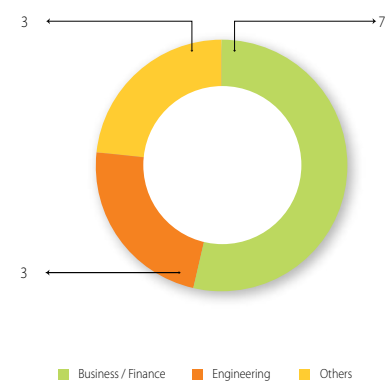
CEO's Performance Review

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

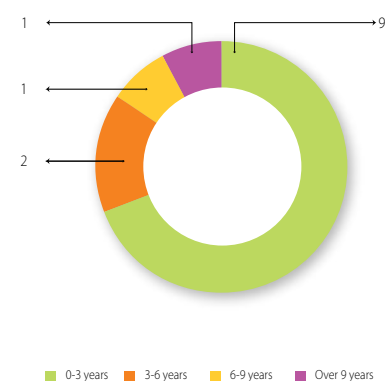
Balance of non-executive and executive Directors



Directors' Qualification



Directors' Tenure



Directors' Report



Directors' Statement

Directors are pleased to state that:

- a) The financial statements, prepared by the Management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.

- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts regarding the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Information regarding outstanding taxes and levies, as required by listing regulations, is disclosed in the Notes to the Accounts.
- i) Statement of value of investments in respect of employees' retirement plans has been given on page 56 of this Corporate Report.

Trading in shares by Directors, CEO, CFO and Company Secretary

Directors of the Company, Chief Executive Officer, Chief Financial Officer and Company Secretary and their spouses and minor children neither hold any shares of the Company nor were involved in any transaction in Company's shares during the year.

Auditors

KMPG Taseer Hadi & Co. Chartered Accountants have completed the annual audit for the year ended December 31, 2010, and have issued an unqualified audit report. The auditors will retire on the conclusion of the Annual General Meeting of the Company, and being eligible, have offered themselves for re-appointment for the year ending December 31, 2011.

Future Prospects



With the ever-increasing demand for food and fertilizers, FFC is looking forward to a bright future, contributing greatly toward self-sufficiency of the Country's agriculture sector.

Currently, Pakistan's per acre yield of wheat is slightly over 1 tonne per acre, which is lower than that of developed countries producing up to 3 tonnes per acre. This means that, while the land area available for farming is limited, the opportunity to enhance yield is not. FFC strives to increase Country's yield by educating farmers and imparting ideal fertilizer usage techniques.

There are still some drastic steps required for technological advancement in the agriculture sector to enhance yield to match the developed countries and FFC would like to be in the front line for this mission.

Where we stand

The following analysis shows Company's position in the fertilizer industry:



Strengths

- Capital intensive Company
- Financial Strength
- Production at more than 100% capacity
- Heavy demand for fertilizer
- Established distribution network
- Operating in an Agro-based economy



Weaknesses

- Production capacity is lower than demand
- Stagnant overall market share
- Over dependency on one sector



Opportunities

- Expand capacity to fulfill the local demand
- Export
- Horizontal expansion in other sectors



Threats

- Gas curtailment
- Hike in fuel prices
- Taxes
- Fluctuation in international prices
- Strong domestic competition

Focused on growth opportunities ahead, inspired by our heritage of success...



Our target next year is to mitigate threats posed to the Company and convert our weaknesses into strengths by exploiting available opportunities.

We shall endeavor to increase our market share through farmers' education and awareness of fertilizer usage, increase profitability by cost minimisation to the extent possible and invest in research and development activities to enhance product effectiveness.

Acquisition of Agritech

The Company is currently evaluating the proposed acquisition of majority stake in Agritech which is being divested by the parent company because of financial constraints. Consummation of the transaction is subject to the receipt of all regulatory consents and approvals, including those from Competition Commission of Pakistan. Because a number of significant issues regarding the terms of the transaction remain unresolved, there can be no assurance that a definitive agreement would be concluded.

Coal Gasification

Due to depleting gas reserves in the Country and resultant curtailment of gas for production of fertilizer, it is imperative to explore the opportunities for commercial scale conversion of coal to coal gas. This is currently being evaluated by our technical team.

Steel Mill

The Company is also evaluating a proposal for setting up a steel mill and feasibility study is currently underway.

Business Process Re-engineering / Development Activities

- Enterprise Resource Planning (ERP)
Implementation of SAP - ERP system of the Company is in progress. After successful implementation of SAP in FFBL, FFC is ready to take its operational efficiency to new heights using SAP to integrate its operational functions at Head Office Rawalpindi, Marketing Office Lahore, Plant sites Goth Machhi and Mirpur Mathelo. Implementation of ERP shall improve business processes by reducing time lags and duplication of work.
- Corporate Office
Construction of our Company's corporate office in the heart of Rawalpindi is nearing completion. With 12 stories already erected, construction is expected to be completed by the end of this year. Apart from bringing about a significant change in the working environment and corporate image of the Company, the new office shall facilitate better coordination between departments of the Company.

Commitment for the Future

We at FFC are committed to a stronger, greener and self-reliant Pakistan, powered by strong Agriculture and Industrial sectors. We stand firm to face political, economic and environmental instabilities and shall continue to utilise our resources for the benefit of our shareholders, other stakeholders, and the community at large.

In the Fertilizer Industry, our position is strengthening every year. We shall continue to fulfill local market demand to save foreign exchange by means of import substitution. Fertilizer market is driven by strong demand resulting from an even stronger demand for food.

We have not only survived through tough economic and environmental challenges, but have flourished, due to our strong roots in the Fertilizer Industry. We shall continue to play our role as a responsible corporate citizen and contribute toward the Country's betterment.

Lt Gen Hamid Rab Nawaz,
HI (M), (Retired)
Chairman

Rawalpindi,
January 27, 2011

