OPERATING HIGHLIGHTS

		2000	2001	2002	2003	2004	**2005**
KEY INDICATORS							
Operating							
Gross profit margin	%	(5.43)	0.14	26.24	22.52	28.44	**32.01**
Pre tax margin							
- Without GOP compensation	%	(56.09)	(51.05)	3.85	7.07	18.74	**22.55**
- With GOP compensation	%	-	-	29.15	20.62	24.8	**27.46**
After tax margin	%	(56.59)	(51.55)	53.91	23.25	15.97	**17.18**
Performance							
Return on total assets*	%	(16.83)	(17.7)	6.04	3.85	6.25	**8.11**
Total assets turnover	Times	0.30	0.33	0.21	0.27	0.52	**0.58**
Fixed assets turnover	Times	0.34	0.37	0.25	0.34	0.79	**0.98**
Inventory turnover	Days	44	31	29	16	10	**24**
Return on paid up share capital*	%	(103)	(96)	13.97	8.20	14.73	**21.35**
Leverage							
Debt Equity Ratio	Times	99:1	-	77:23	66:34	59:41	**58:42**
Current Ratio	Times	0.22	0.14	0.84	1.53	1.53	**1.46**
Quick Ratio	Times	0.12	0.09	0.56	1.19	1.36	**1.21**
Valuation							
Earnings per share	Rs	(10.28)	(9.64)	3.90	1.31	1.98	**2.62**
Earning growth	%	-	6.23	140.50	(66.41)	51.15	**32.32**
Break up value	Rs	(0.40)	(9.23)	4.70	6.60	7.65	**8.27**
Dividend per share**	Rs	-	-	-	-	1.00	**2.00**
Dividend payout ratio	%	-	-	-	-	51.01	**76.28**
Price earning ratio	Times	(0.70)	(0.34)	2.45	13.44	15.45	**14.56**
Market price per share	Rs	7.15	3.25	9.55	17.60	30.60	**38.15**
Market capitalization	Rs (M)	2,389	1,086	7,735	16,014	28,584	**35,636**
HISTORICAL TRENDS				**Rs. Million**			
Trading Results							
Sales - net		6,069	6,246	3,953	5,167	11,462	**14,255**
Gross profit / (loss)		(330)	8	1,037	1,164	3,261	**4,563**
Profit / (loss) before tax		(3,404)	(3,189)	1,152	1,065	2,848	**3,915**
Profit / (loss) after tax		(3,434)	(3,220)	2,131	1,201	1,831	**2,449**
Financial position							
Shareholders' equity		135	(3,085)	3,807	6,008	7,147	**7,728**
Property , plant and equipment		17,739	16,702	15,873	15,203	14,539	**14,563**
Working capital		(8,739)	(12,452)	(354)	1,027	2,382	**2,922**
Non current liabilities		9,004	7,440	12,788	11,408	10,296	**10,508**

* Return represents profit after taxation, excluding net of tax GOP compensation amounting Rs. 455 million.

** In addition, a final dividend of Re 0.5 per ordinary per share was also declared by the Board on January 26, 2006.

Contents

COMPANY INFORMATION

DIRECTORS	Lt Gen Syed Arif Hasan, HI(M), (Retired) *Chairman*
	Lt Gen Muhammad Akram, HI(M), (Retired) *Chief Executive & Managing Director*
	Lt Gen Mahmud Ahmed, HI(M), (Retired) Mr. Qaiser Javed Mr. Shabbir Hashmi Brig Aftab Ahmad, SI(M), (Retired) Brig Munawar Ahmed Rana, SI(M), (Retired) Mr. Istaqbal Mehdi Brig Ghazanfar Ali, SI(M), (Retired)
SECRETARY	Brig Tariq Mahmood, SJ, SI(M), (Retired)
REGISTERED OFFICE	93-Harley Street, Rawalpindi, Pakistan Tel : (051) 9272191 & 96-97 (051) 9270923 Fax : (051) 9272198-9 E-mail : secy@ffbl.com.pk Website : http://www.ffbl.com.pk
PLANTSITE	Bin Qasim, Karachi, Pakistan
AUDITORS	KPMG Taseer Hadi & Co Chartered Accountants 6th Floor, State Life Building Jinnah Avenue, Islamabad.
LEGAL ADVISORS	Orr Dignam & Co Advocates, 3-A, Street 32, Sector F-8/1, Islamabad, Pakistan
SHARES DEPARTMENT	73-Harley Street,Rawalpindi

NOTICE OF MEETING

Notice is hereby given that the 12th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held at Pearl Continental Hotel, Rawalpindi on Thursday, February 23, 2006 at 1100 hours to transact the following business:-

- To confirm minutes of 11th Annual General Meeting held on February 22, 2005.
- To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and the Auditors' Reports for the year ended December 31, 2005.
- To appoint Auditors of the Company for the year 2006 and fix their remuneration.
- To approve payment of Final Dividend for the year ended December 31, 2005 as recommended by the Board of Directors.
- Any other business with the permission of the Chairman.

By Order of the Board
Fauji Fertilizer Bin Qasim Limited

Rawalpindi
01 February 2006.

Brig Tariq Mahmood (Retired)
Company Secretary

NOTES:-

1. Share transfer books of the Company will remain closed from February 17 to 23, 2006 (both days inclusive)

2. A member of the Company entitled to attend and vote at Annual General Meeting may appoint a person/representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's Registered Office 93-Harley Street, Rawalpindi not later than 48 hours before the time of holding meeting.

3. The CDC account/sub account holders are requested to bring with them their National ID Cards alongwith participant(s) ID numbers and their account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.

DIRECTORS' REPORT

For the Year Ended December 31, 2005

The Board of Directors is pleased to present 12th Annual Report along with audited Financial Statements of the Company and the Auditors' report thereon, for the year ended December 31, 2005.

It has been the year of excellence, in which FFBL was able to attain new levels of performance and significant financial results. Achievements contributing towards this performance are:-

- Highest Granular Urea and DAP production of 589 thousand tonnes and 455 thousand tonnes respectively.
- Record sales volume i.e. 652 thousand tonnes of Urea (including 64 thousand tonnes of imported Urea) and 430 thousand tonnes of DAP.
- Record Urea and DAP sales revenue of Rs 5,544 million and Rs 8,710 million respectively.
- Highest gross and net profits of Rs 4,562 million and Rs 2,449 million respectively.

1. Fertilizer Industry Situation

1.1 Urea Production, Import and Sales

The Urea market in 2005 continued to show significant growth as prevalent in the last quarter of 2004. A healthy demand situation prevailed owing to sufficient availability of water for agriculture and increased farmer income, due to good commodity prices. Industry urea inventory of 26 thousand tonnes at the beginning of 2005 was 85% lower as compared to inventory of January 2004. Industry Urea sales of 5,177 thousand tonnes during the year were 10% higher than 4,716 thousand tonnes for 2004. During the year all fertilizer companies increased urea prices by Rs 34 per bag. This was attributed to multiple factors like rise in fuel/feed gas prices, increased product transportation cost and the overall impact of inflation. Industry Urea production of 4,691 thousand tonnes for 2005 was 6% higher as compared to last year. During the year, 601 thousand tonnes Urea was imported by TCP to fill the gap between production and demand. The year ended with Urea inventory of 117 thousand tonnes inclusive of 71 thousand tonnes imported urea.

1.2 DAP Production, Import and Sales

The industry DAP sales of 1,348 thousand tonnes during 2005 were 12% higher than 1,199 thousand tonnes sales of 2004. During the year all companies increased DAP prices by Rs 85-100 per bag owing to the rise in international prices and freight cost. Company's DAP production during the year 2005 at 455 thousand tonnes was 19% higher compared to 381 thousand tonnes in 2004. 1,152 thousand tonnes of DAP was imported during the year. The year ended with a huge inventory of 320 thousand tonnes, as compared to 65 thousand tonnes at the end of 2004.

2. Operational Highlights

The Company achieved the highest Ammonia, Urea and DAP production during the year with a significant increase over 2004. This was mainly attributed to shifting of plant turnaround to the year 2006 and overall increased plant load.

Ammonia production remained at 437.8 thousand tonnes, which was 6% higher over the production in 2004 and 2.6% over the target, despite the fact that on certain occasions Ammonia plant operated at low load due to reduction in natural gas supply and pressure.

Granular Urea production at 588.8 thousand tonnes was 2.5% higher than in 2004 and 1.8% over the target, whereas, DAP production at 454.6 thousand tonnes was 19% higher than the last year, achieving 10.5% over the target.

Ammonia and Urea plants were shutdown in July for a period of 10 days as Sui Southern Gas Company Limited curtailed the Company's gas supply to 55 MMSCFD against a requirement of 75 MMSCFD due to maintenance on Bhit Gas Field. Ammonia and Urea plants were operated at low load for about 17 days due to Synthesis Gas Compressor Coupling failure. DAP plant however, remained fully operational during this period.

2.1 Ammonia - Balancing Modernization & Revamp (BMRE)

The Company has planned 'plants turnaround' from March 21, 2006 for the period of 27 days to implement Phase I of Ammonia BMRE project. BMRE activities of ammonia plant being carried out for reliability, efficiency and capacity enhancement are in full swing. New Natural Gas Booster Compressor and Phase-I machinery jobs will be operational after the turnaround planned in 1st quarter 2006. Other equipment such as Secondary Reformer Burner, Waste Heat Steam Generators, Catalyst Tubes for Primary Reformer and Ammonia Converter Basket have also arrived at the plant site.

3. Marketing Highlights

3.1 Sales Performance

During the year Granular Urea sales of 588 thousand tonnes were 2% over the target, whereas 64 thousand tonnes of imported urea was also sold. FFBL captured 12.7% share of the Urea market.

DAP sales during the year were 430 thousand tonnes reflecting an achievement of 4% over the target. Sales were 13% higher compared to 381 thousand tonnes in 2004. FFBL share of the DAP market was recorded at 31.9%.

4. Financial Highlights.

Results of the Company are summarized below:-

	2005 (Rs in million)	2004 (Rs in million)
Sales-net	**14,255**	11,462
Gross Profit	**4,563**	3,261
Expenses	**(1,802)**	(1,221)
Other income	**1,154**	808
Taxation	**(1,466)**	(1,017)
Profit After Tax	**2,449**	1,831
Earnings per share (EPS)	**2.62**	1.98

Company's sales in 2005 are 24% higher than the year 2004. This is mainly due to increase in volumes and higher prices of both Granular Urea and DAP, coupled with un-interrupted availability of Phos acid from Morocco throughout the year.

Gross profit for the year is 32% of the sales, higher by 40% compared to 2004. This is mainly due to higher production, better plant efficiency and improved selling price of Urea and DAP.

Other income mainly includes accrued GOP compensation of Rs 700 million and income on bank deposits amounting Rs 425 million. Income on bank deposits is significantly higher than the last year due to improved profit rates and better liquidity position of the Company.

The net profit for the year shows an improvement of 34% over 2004. Earnings per share is Rs 2.62 which has improved by Re 0.64 over the last year.

5. Dividend Distribution

The Board is pleased to recommend final cash dividend of Re 0.5 per ordinary share in addition to earlier declaration of two interim dividends of Rs 1.25 and Re 0.75 respectively during 2005.

6. Mission Statement

Continue to pursue the progressive strategy based on the principle of maintaining the spirit of excellence and retain the title of being amongst the best at delivering competitively priced, quality fertilizers and achieving sustainable and viable growth rate in all activities, generating optimum profits to the total satisfaction of all stakeholders.

7. Vision Statement

- Be a leading fertilizer company with a diverse product base
- Consistently excel in our operations
- Remain exemplary through our commitment to Business Ethics, Safety, Health, Environment and involvement in the Community
- Be one of the best corporate employers
- Remain good corporate citizen
- Continue to look for other project investment opportunities to remain progressive, flexible and viable.

8. Corporate Governance

The Company complies with all of the requirements of the Code of Corporate Governance as contained in the listing regulations of the Stock Exchanges. The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Company including approving the strategic direction put forward by management, approving and monitoring capital expenditure, appointing, removing and creating succession policies for directors and senior management, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible

for approving and monitoring financial and other reporting. The Board has delegated responsibility for administration and operation of the Company to the Chief Executive/Managing Director. Responsibilities are delineated by formal authority delegations. The Board has constituted the following committees:-

- Audit
- Technical
- Human Resources

These committees work under the guidance of the Board of Directors.

9. Presentation of Financial Statements

Financial statements prepared by the management present fairly and accurately Company's state of affairs, results of its operations, cash flows and changes in equity.

10. Books of Accounts

Proper books of accounts have been maintained.

11. Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

12. Compliance with International Accounting Standards

International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements.

13. Internal Control System

System of internal control is sound in design, has been effectively implemented and is being monitored continuously. On going review will continue in future for further improvement in controls. Instrument of daily morning meetings both at Plantsite and Head office is being applied by the top management to watch and exercise a desirable level of control on all activities of the Company.

14. Going Concern

There are no doubts upon the Company's ability to continue as a going concern.

15. Best Practices of Corporate Governance

There has been no material departure from the best practices of corporate governance.

16. Related Party Transactions

Transactions undertaken with related parties during the financial year have been ratified by the Audit Committee and approved by the Board of Directors. Amounts or appropriate proportions of outstanding items pertaining to related parties and provision for doubtful debts and receivables from such parties, as at the balance sheet date, are disclosed in the financial statements.

17. Key Financial Data

Key operating and financial data of last six years is attached in this annual report.

18. Environment, Health and Safety

The overall health, safety and environment performance of the plants was excellent through out the year. Company achieved 2.6 million safe man-hours by end of the year. During the year a consultant of DuPont Corporation conducted audit of plant safety procedures and 3 days training session of Process Hazard Analysis techniques which proved very successful.

19. Integrated Management System (IMS)

The Company has developed and implemented documented Work Procedures (SOPs) & Work Instructions throughout the company covering following International Standards:

- Quality Management System
  (ISO 9001:2000)
- Environmental Management System
  (ISO 14001:1996)
- Occupotional Health & Safety Assessment Services
  (OHSAS 18001:1999)

Certification audit by external agency is scheduled in early 2006 covering both Plantsite and Head Office

20. Shareholders' Information

20.1 Company's Publications

- To update shareholders about the operations and growth of their Company, the management of the Company publishes and mails the following reports:
- The Company's Annual Financial Statements along with Directors Report and external auditors' report thereon.
- Second quarter and half Yearly Financial Statement along with Directors Review and external auditors' review report thereon.
- First and Third Quarters Financial Statements along with Directors Review.

21. Contribution to National Exchequer

During the year, the Company has contributed an amount of Rs 1,405 million towards the national exchequer on account of government levies, taxes and import duties, etc.

22. Employee Retirement Benefits

Value of investments of provident and gratuity funds as on December 31, 2005 (un-audited) is:-

	2005 (Rs in million)	2004 (Rs in million)
Provident Fund	**155**	104
Gratuity Fund	**37**	37

23. Board of Directors

During the year, five meetings of the Board of Directors were held. Attendance by the Directors was as follows:-

Names of Directors	No of Meetings Attended	
Lt Gen Syed Muhammad Amjad (Retired)	5	
Lt Gen Muhammad Akram (Retired)	5	
Lt Gen Mahmud Ahmed (Retired)	3	
Mr. Qaiser Javed	5	
Mr. Shabbir Hashmi	4	
Mr. Zaigham Mahmood Rizvi	-	Resigned with effect from 20-2-2005
Mr. Istaqbal Mehdi	1	Appointed with effect from 21-2-2005
Mr Nadir Rahman	2	Resigned with effect from 03-5-2005
Brig Aftab Ahmad (Retired)	5	
Brig Munawar Ahmed Rana (Retired)	4	
Brig Ghazanfar Ali (Retired)	3	Appointed with effect from 04-5-2005

24. Vacation of Directors

On resignation of Mr Zaigham Mahmood Rizvi and Mr Nadir Rahman from the office of directorship of the Company, Mr Istaqbal Mehdi and Brig Ghazanfar Ali (Retired) have been appointed as Directors of the Company effective 21 February 2005 and 4 May 2005.

The Board places on record its appreciation for the valuable advice and services rendered by the outgoing Directors, and welcome the new Directors on the Board.

25. Change of Chairman

Effective 28 December 2005, Lt Gen Syed Arif Hasan (Retired) replaced Lt Gen Syed Muhammad Amjad (Retired) as Chairman of the Company. The Board welcomes the new Chairman and records its appreciation for the valuable services rendered by Lt Gen Syed Muhammad Amjad (Retired)).

26. Board Committees

26.1 Audit Committee

The Committee comprises 4 members including the Chairman. All members of the Committee are independent non-executive directors. The Committee meets at least once every quarter of the financial year. It reviews reports of the Company's interim and annual financial results prior to the approval of financial results of the Company by its Board of Director and before and after completion of external audit, business plans and internal audit department reports. It also recommends to the Board the appointment of external auditors and advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

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

Name of Members	No of Meetings Attended	
Mr. Qaiser Javed	5	
Mr. Shabbir Hashmi	1	
Mr. Nadir Rahman	2	Resigned with effect from 03-5-2005.
Brig Aftab Ahmad (Retired)	5	
Brig Ghazanfar Ali (Retired)	2	Appointed with effect from 04-5-2005.

The Chief Financial Officer (CFO) and Internal Auditor were invited to Audit Committee meetings. External auditors were also invited to three Audit Committee meetings at which issues relating to annual and half year's financial statements were discussed.

26.2 Technical Committee

This Committee comprises 4 members including the Chairman. It meets to review all technical matters pertaining to the plant operations as and when required. It also reviews all capital expenditure of the Company.

During the year, four meetings of the Technical Committee were held. Attendance by the members was as follows:-

Names of Members	No of Meetings Attended	
Mr. Shabbir Hashmi	3	
Mr. Istaqbal Mehdi	3	
Brig Aftab Ahmad (Retired)	4	
Mr Nadir Rahman	1	Resigned with effect from 03-5-2005
Brig Ghazanfar Ali (Retired)	3	Appointed with effect from 04-5-2005

27. Financial Reporting

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

28. Assessment of Effectiveness of Risk Management

The internal auditors assist the Board in ensuring compliance with the internal controls and risk management programs by regularly reviewing the effectiveness of the above mentioned compliance and control systems. The Audit Committee is responsible for approving the program of internal audit activities to be conducted each financial year and for the scope of the work to be performed on a regular basis.

29. Conflict of Interest

Directors keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest. Details of director related entity transactions with the Company are set out in Note 37 to the Financial Statements for the year ended December 31, 2005.

30. Code of Conduct

The Company has advised each director, manager and employee that they must comply with the Corporate Code of Conduct and Ethics Policy.

31. Trading in Company Shares

The key elements of policy for trading in Company Shares by Chief Executive (CE), Directors, Executives or their spouses are:

CE, Directors and Executives or their spouses of the Company may acquire shares in a company, but are prohibited from dealing in Company shares.

If CE, any Director, Executives or their spouses sell, buy or take any position, whether directly of indirectly, in the shares of the Company, he/they will notify in writing within four days of affecting the transaction to the Company Secretary of his/their intention along with record of price, number of shares, form of shares certificates and nature of transaction.

No Director, CE or Executive shall, directly or indirectly, deal in the shares of the Company in any manner during the closed period as determined by the Company prior to the announcement of interim/final results and any business decision, which may affect the market price of the Company's share.

Directors, Chief Executive, CFO, Company Secretary and their spouses and minor children have not traded in the Company's shares during the year.

32. Relations with Personnel and Community

Relationship between the Company, its employees and the community continues to be extremely cordial based on mutual respect and confidence, contributing to the optimum efficiency of the Company. A two years Industrial Peace Agreement between Company management and CBA which was signed in April 2004, shall be renewed in 2006 to the satisfaction of both parties and harmonious functioning.

33. Auditors

Present auditors, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, retire and offer themselves for re-appointment. The Audit Committee has recommended re-appointment of retiring auditors for the year 2006 on the same terms and conditions as last year.

34. Future Outlook

34.1 Balancing Modernization and Revamping of DAP Plant

The Board of Directors has also approved BMRE of DAP plant which will increase the current production capacity of DAP from 445 thousand tonnes to 670 thousand tonnes per annum. M/s Jacobs Engineering submitted Revamp Study Report in September 2005 for capacity enhancement. Technical Committee of Board approved this study and thereafter Project Team is finalizing the job scope in consultation with M/s Jacobs Engineering. All out efforts are being made to complete the project in 2007, inline with the completion of BMRE of ammonia plant. The project has an attractive return and would Insha- Allah, further enhance the profitability of the Company.

34.2 Pakistan Maroc Phosphore S.A, Morocco

To review the progress of the project, regular meetings of the Board of Directors and Project Monitoring Committee were held during the year. Basic engineering of sulphuric acid plant has been completed. Orders for power, water treatment and phosphoric acid plants have been placed during the third quarter of 2005. Overall the project is on schedule and progressing satisfactorily.

During the period, the Company has remitted Moroccan Dirhams (MAD) 56.25 million (equivalent Pak Rupees 375 million) being contribution towards equity of PMP.

35. Share Holding Pattern

The pattern of shareholding is attached with this report.

36. Acknowledgements

Results for year 2005 were made possible through collective efforts of the management, staff and workers emanating out of their sense of purpose, commitment to the cause, dedication and professionalism. The Board acknowledges the team effort for achieving significant results. The Board is also indebted to Company's customers, suppliers, bankers, SSGCL, GOP and valued shareholders for their support which contributed to Company's recent successes, and looks forward to their continued assistance and support in the future.

For and on behalf of the Board

Rawalpindi
26 January 2006

Lt Gen Syed Arif Hasan, HI(M), (Retd)
Chairman

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company: Fauji Fertilizer Bin Qasim Limited

Year ended: 31 December 2005

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one executive director, two independent non executive directors (one representing minority shareholders) and six other non executive directors.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies

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

4. Casual vacancies occurred in the Board during the year 2005 were filled within the stipulated period i.e 30 days.

5. 'Statement of Ethics and Business Practices', has been circulated to Directors and employees.

6. The Board has developed a vision/mission statement, overall corporate strategy and is in the process of finalising certain significant policies which will be approved by the Board in due course of time.

   A complete record of particulars of approved policies along with the dates on which they were approved or amended has been maintained.

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

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

9. Company arranged orientation course at group level held at Rawalpindi on 22 June 2005. Most of the Directors including CFO and Company Secretary attended the course.

10. Officers having positions of CFO and Head of Internal Audit were appointed prior to the implementation of the Code of Corporate Governance. Terms of appointment, including remuneration in case of future appointments on these positions will be approved by the Board.

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

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

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

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

15. The Board has formed an Audit Committee. It comprises four members, who are all non-executive Directors including the Chairman of the Committee.

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

17. The Company has setup an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

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

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

20. We confirm that all other material principles contained in the Code have been complied with.

Lt Gen Muhammad Akram (Retd)
Chief Executive & Managing Director

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES
OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Fauji Fertilizer Bin Qasim Limited (the Company) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2005.

ISLAMABAD
January 26, 2006

KPMG TASEER HADI & CO
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Fauji Fertilizer Bin Qasim Limited ("the Company") as at December 31, 2005 and the related profit and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes referred to in notes 3.7.1 and 3.7.2 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanation given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance,1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

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

ISLAMABAD
January 26, 2006

KPMG TASEER HADI & CO
CHARTERED ACCOUNTANTS

BALANCE SHEET
AS AT DECEMBER 31, 2005

	Note	2005	2004
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	**9,341,100**	9,341,100
Capital reserve	5	**228,350**	228,350
Accumulated loss		**(1,841,919)**	(2,422,808)
		7,727,531	7,146,642
NON-CURRENT LIABILITIES			
Long term financing	6	**1,876,248**	2,293,192
Liabilities against assets subject to finance lease	7	**6,294**	11,290
Long term murabaha	8	**174,051**	212,730
Deferred tax liability	9	**1,322,283**	-
Long term loan	10	**7,130,208**	7,778,409
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	11	**2,905,995**	2,163,349
Mark - up accrued	12	**94,348**	27,536
Short term running finance	13	**2,236,649**	1,176,625
Current portion of:			
- Long term financing	6	**416,944**	416,944
- Liabilities against assets subject to finance lease	7	**4,015**	6,467
- Long term murabaha	8	**38,679**	38,679
- Long term loan	10	**648,201**	648,201
Sales tax payable		**-**	46,880
		6,344,831	4,524,681
CONTINGENCIES AND COMMITMENTS	15		
		24,581,446	21,966,944

The annexed notes 1 to 41 form an integral part of these financial statements.

	Note	2005	2004
		(Rupees '000)	
PROPERTY, PLANT AND EQUIPMENT	16	**14,563,103**	14,539,349
LONG TERM INVESTMENTS	17	**734,275**	358,600
LONG TERM DEPOSITS	18	**17,395**	18,518
DEFERRED TAX ASSET	9	**-**	143,527
CURRENT ASSETS			
Stores and spares	19	**577,082**	520,399
Stock in trade	20	**1,022,957**	252,252
Trade debts	21	**115,081**	431,246
Advances	22	**37,816**	207,391
Trade deposits and short term prepayments	23	**3,306**	2,340
Interest accrued		**85,545**	23,733
Other receivables	24	**336,266**	322,256
Income and sales tax refundable		**157,005**	68,720
Bank balances	25	**6,931,615**	5,078,613
		9,266,673	6,906,950
		24,581,446	21,966,944

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005	2004
		(Rupees '000)	
Sales - net	26	**14,254,764**	11,462,410
Cost of sales	27	**(9,692,236)**	(8,201,623)
GROSS PROFIT		**4,562,528**	3,260,787
Distribution costs	28	**(1,257,698)**	(931,066)
Administrative expenses	29	**(114,470)**	(90,653)
		3,190,360	2,239,068
Finance cost	30	**(259,817)**	(84,817)
Other operating expenses	31	**(169,746)**	(113,686)
		2,760,797	2,040,565
Other income			
Compensation from GOP	32	**700,000**	700,000
Others	33	**454,123**	107,688
		1,154,123	807,688
PROFIT BEFORE TAXATION		**3,914,920**	2,848,253
Taxation	34	**(1,465,811)**	(1,017,161)
PROFIT AFTER TAXATION		**2,449,109**	1,831,092
Basic and diluted earnings per share (Rupees)	35	**2.62**	1.98

The annexed notes 1 to 41 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005	2004
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	**4,527,183**	3,555,188
Finance cost paid		**(193,005)**	(59,775)
Compensation received from GOP (net)		**-**	51,799
Taxes paid		**(129,304)**	(43,133)
Payment to gratuity fund		**(7,637)**	(6,672)
Net cash generated from operating activities		**4,197,237**	3,497,407
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(965,999)**	(292,593)
Proceeds from sale of property, plant and equipment		**5,658**	3,577
Investment in Pakistan Maroc Phosphor S.A. Morocco		**(375,675)**	(358,600)
Long term deposits		**1,123**	1,452
Profit received on bank balances		**363,625**	74,955
Net cash used in investing activities		**(971,268)**	(571,209)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		**-**	242,086
Long term financing - repayments		**(416,943)**	(208,474)
Principal portion of lease rentals paid		**(7,448)**	(9,624)
Long term murabaha - repayments		**(38,678)**	(19,339)
Dividend paid		**(1,969,922)**	(510,458)
Net cash used in financing activities		**(2,432,991)**	(505,809)
Net increase in cash and cash equivalents		**792,978**	2,420,389
Cash and cash equivalents at beginning of the year		**3,901,988**	1,481,599
Cash and cash equivalents at end of the year		**4,694,966**	3,901,988

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprises the following balance sheet amounts:

	Note	2005	2004
- Bank balances	25	**6,931,615**	5,078,613
- Short term running finances	13	**(2,236,649)**	(1,176,625)
		4,694,966	3,901,988

The annexed notes 1 to 41 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2005

	Share Capital	Capital reserve	Accumulated loss	Total
	(Rupees'000)			
Balance at January 01, 2004	9,099,014	228,350	(3,319,790)	6,007,574
Profit for the year	-	-	1,831,092	1,831,092
Interim dividend (Re 1 per ordinary share)	-	-	(934,110)	(934,110)
Issue of share capital -right issue	242,086	-	-	242,086
Balance at December 31, 2004	9,341,100	228,350	(2,422,808)	7,146,642
Profit for the year	-	-	2,449,109	2,449,109
First interim dividend (Rs 1.25 per ordinary share)	-	-	(1,167,638)	(1,167,638)
Second interim dividend (Re 0.75 per ordinary share)	-	-	(700,582)	(700,582)
Balance at December 31, 2005	**9,341,100**	**228,350**	**(1,841,919)**	**7,727,531**

The annexed notes 1 to 41 form an integral part of these financial statements.

CHAIRMAN | CHIEF EXECUTIVE | DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance,1984, and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The registered office of the Company is situated in Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi, Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers including investment in fertilizer raw material manufacturing operations. The Company commenced its commercial production effective January 1, 2000. The Company is a subsidiary of Fauji Fertilizer Company Limited (the holding company) with shareholding of 50.88% (2004: 50.88%).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention and basis of preparation

These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods.

Significant areas requiring the use of management estimates in these financial statements relate to the discount rate used to measure the loan from Government of Pakistan at fair value, useful life of depreciable asset and inventory obsolescence. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3.2 Employees' retirement benefits

The Company has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

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

Gratuity Fund - Defined Benefit Scheme

The Company operates a defined benefit funded gratuity for all employees who complete qualifying period of service and age. The Fund is administered by trustees. Contribution to the fund is made on the basis of actuarial valuation using Projected Unit Credit Method, related details of which are given in note 14.

Actuarial gains/losses exceeding 10 percent of the higher of projected benefit obligation and fair value of plan assets are amortized over average future service of the employees. Transitional liability is recognized on a straight line basis over a period of five years.

Compensated absences

The Company also provides for compensated absences for all employees in accordance with the rules of the Company.

3.3 Taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum tax on turnover, whichever is higher.

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of tax. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using tax rates enacted at the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

3.4 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Capital work in progress is stated at cost. Cost in relation to property, plant and equipment signifies acquisition cost and borrowing costs as referred to in note 3.6 and exchange differences previously capitalized as referred to in note 3.17.

Depreciation is calculated on the straight line method and charged to profit and loss account to write off the cost of each asset over its estimated useful life without taking into account any residual value. The depreciation rates in use are given in note 16 to the financial statement. Full year's depreciation is charged on additions, while no depreciation is charged on items deleted during the year.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposals of property, plant and equipment are included in profit and loss account for the year.

Initial fill of the catalysts in the plant is capitalized with plant and machinery, whereas costs of subsequent replacement of such catalysts are depreciated over their estimated useful lives.

Assets subject to finance lease

Leased property, plant and equipment in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Leased assets are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses, if any.

Rental obligations of leased assets, net of finance charges not due are included in liabilities against assets subject to finance lease.

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the balance outstanding. Finance charge on leased assets is charged to profit and loss account over the lease term.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned assets.

3.5 Intangible asset

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably. Intangible asset is stated at cost less accumulated amortization. Amortization is charged to profit and loss account over a period of five years.

3.6 Borrowing costs

Borrowing costs incurred up to the date of commencement of commercial production are capitalized. All other mark up, interest and other charges are expensed as incurred.

3.7 Investments

3.7.1 Investment in associate

Associates are those entities in which the Company has significant influence but not control over the financial and operating policies. Revised International Accounting Standard 28" Investments in Associates" requires that investment in associates over which the investor has significant influence must be accounted for using the equity method instead of cost method as being used previously. Under equity method, the investment in associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the associate after the date of its acquisition. This method is applied from the date when control/significant influence commences until the date when that control/ significant influence ceases. When the associates' share of losses exceed the carrying amount of investment in associates, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has incurred obligation in respect of the associate. There is no impact of this change in accounting policy on the current and prior years' results of the Company.

3.7.2 Investment available for sale

Pursuant to the changes in International Accounting Standard 39 " Financial Instruments: Recognition and Measurement" the Company's policy to include the change in fair value of available for sale financial assets in profit and loss account for the period has changed. Now the gain or loss on remeasurement of available for sale financial assets is recognised directly in equity through the statement of changes in equity. This change has no effect on the current and prior years' profit and loss account and retained earnings.

3.7.3 Investment in joint venture company

Joint ventures are those entities over whose activities the Company has joint control established by the contractual arrangement. The Company recognizes its interest in joint venture using equity method under which the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of joint venture after the date of joint control. The method is applied from the date that joint control commences until the date that joint control ceases.

3.8 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized in profit and loss account.

3.9 Stores and spares

These are valued at weighted average cost except for items in transit, which are valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date. For items which are slow moving and/or identified as surplus to the Company's requirement, a provision is made for excess of book value over estimated realisable value.

3.10 Stock in trade

These are valued at the lower of weighted average cost and net realisable value except for stock in transit which is valued at cost comprising invoice value and related expenses incurred thereon up to the balance sheet date. Cost includes applicable purchase cost and manufacturing expenses.

Cost is determined as follows:

- Raw materials	at weighted average cost
- Work-in-process and finished goods	at weighted average cost and related manufacturing expenses

Net realisable value signifies the estimated selling price in the ordinary course of business less net estimated cost of completion and selling expenses.

3.11 Trade debts and other receivables

Trade debts and other receivables are due on normal trade terms. These are stated at original invoice amount as reduced by appropriate provision for impairment. Bad debts are written off when identified.

3.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash at bank and short term running finances which are stated in the balance sheet at cost.

3.13 Trade and other payables

Trade and other payables are due on normal trade terms. These are stated at their respective nominal values.

3.14 Mark-up bearing borrowings

Mark-up bearing borrowings are recognised initially at cost being the fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

The Company accounts for lease obligations by recording the asset and corresponding liability there against determined on the basis of discounted value of total minimum lease payments. Finance charge is recognised in the profit and loss account using the effective mark-up rate method.

3.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

3.16 Dividends

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

3.17 Foreign currencies

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of the transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Exchange differences on translation and repayment of foreign currency finances utilized for the acquisition of fixed assets up to the commercial production were previously capitalised as part of the cost of the related assets. Other exchange gains and losses, where applicable are included in profit and loss account for the year.

3.18 Revenue recognition

Sale

Sales revenue is recognised at the time of dispatch of goods to customers.

Profit on bank balances / deposits

Profit on bank balances / deposits is accounted for on time proportion basis using the applicable rate of interest.

Scrap sales and miscellaneous receipts

Scrap sales and miscellaneous receipts are recognised on realized amounts.

3.19 Basis of allocation of common expenses

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

3.20 Government compensation

The Company recognizes Government compensation received in lieu of the Fertilizer Policy 1989 as income subject to compliance with the related conditions.

3.21 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to contractual provisions of the instrument. These are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value. The Company derecognizes financial assets and liabilities when it ceases to be a party to such contractual provision of the instruments. The Company recognizes the regular way purchase or sale of financial assets using settlement date accounting.

3.22 Off-setting of financial assets and liabilities

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

3.23 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible, except inadmissible or impracticable in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

	2005	2004
	(Rupees '000)	

4. SHARE CAPITAL

4.1 ISSUED, SUBSCRIBED AND PAID - UP CAPITAL

	Ordinary shares issued for cash			
	2005	2004		
Ordinary shares of Rs 10 each outstanding at January 1,	**934,110,003**	909,901,400	**9,341,100**	9,099,014
Ordinary shares of Rs 10 each issued during the year	**-**	24,208,603	**-**	242,086
Ordinary shares of Rs 10 each outstanding at December 31,	**934,110,003**	934,110,003	**9,341,100**	9,341,100

4.2 The holding company, Fauji Foundation, Actis (formerly CDC Holdings Sendirian Berhad) and Pakistan Kuwait Investment Company Ltd (PKIC) held 475,232,996, 161,501,286, 39,460,390 and 4,644,845 (2004 : 475,232,996, 161,501,286, 92,692,890 and 4,999,845) ordinary shares respectively of the Company at the year end.

4.3 AUTHORIZED SHARE CAPITAL

	2005	2004
	(Rupees '000)	
1,100,000,000 Ordinary shares of Rs 10 each	**11,000,000**	11,000,000

5. CAPITAL RESERVE

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

6. LONG TERM FINANCING - SECURED

	2005	2004
From banking companies and financial institutions		
Habib Bank Limited (HBL)	**713,875**	843,672
Standard Chartered Bank (SCB)	**408,210**	482,429
Muslim Commercial Bank Limited (MCB)	**703,727**	831,678
Askari Commercial Bank Limited (ACBL)	**157,143**	185,714
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited (SAPICO)	**58,808**	69,500
	2,041,763	2,412,993
From associated undertaking		
Pak Kuwait Investment Company (Pvt) Limited (PKIC)	**251,429**	297,143
	2,293,192	2,710,136
Less: Current portion shown under current liabilities	**416,944**	416,944
	1,876,248	2,293,192

Lender	Purchase price	Marked-up price	Mark-up rate	No. of quarterly installments outstanding	Repayment commenced from
	(Rupees '000)				
HBL	908,571	1,690,772	12 months Treasury bill rate	22	July 2004
SCB	519,539	966,819	12 months Treasury bill rate	22	July 2004
MCB	895,653	1,666,735	12 months Treasury bill rate	22	July 2004
ACBL	200,000	372,183	12 months Treasury bill rate	22	July 2004
SAPICO	74,847	139,283	12 months Treasury bill rate	22	July 2004
PKIC	320,000	595,493	12 months Treasury bill rate	22	July 2004

These finances are secured by first equitable mortgage charge created on all immovable properties of the Company and by way of hypothecation of movable properties aggregating Rs 5,431,285 thousand of the Company. These charges rank pari passu with the charges already created or to be created in favour of other foreign and local lenders.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2005		2004	
	Not later than one year	Later than one year and not later than five years	Not later than one year	Later than one year and not later than five years
	(Rupees '000)		(Rupees '000)	
Gross minimum lease payments payable in future	4,489	6,553	7,520	12,098
Less: Finance charge allocated to future periods	474	259	1,053	808
	4,015	6,294	6,467	11,290

Lease rentals include finance charge ranging between 8% to 16% per annum, which have been used as discounting factor and are payable on monthly and quarterly basis. The Company has an option to purchase the assets upon completion of lease period by adjusting the security deposits amounting to Rs 2,966 thousand (2004: Rs 4,050 thousand) and has intention to exercise the option.

8. LONG TERM MURABAHA - SECURED

	2005	2004
	(Rupees '000)	
Faysal Bank Limited (FBL) - a banking company	212,730	251,409
Less: Current portion shown under current liabilities	38,679	38,679
-	174,051	212,730

Lender	Facility	Purchase price	Mark-up rate	No. of quarterly installments outstanding	Repayment commenced from
	(Rupees '000)				
FBL	270,748	503,840	12 months Treasury bill rate	22	July 2004

This facility is secured by first equitable mortgage charge created on all immovable properties of the Company and by way of hypothecation of movable properties aggregating Rs 503,840 thousand of the Company. The charge ranks pari passu with the charges already created or to be created in favour of other foreign and local lenders.

9. DEFERRED TAX (LIABILITY) / ASSET

	2005	2004
	(Rupees '000)	
The balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation	(1,346,129)	117,850
Provision against doubtful receivables	18,734	19,463
Provision for inventory obsolescence	1,504	-
Liabilities against assets subject to finance lease	3,608	6,214
	(1,322,283)	143,527

10. LONG TERM LOAN - UNSECURED

	2005	2004
	(Rupees '000)	
Government of Pakistan (GOP) loan - note 10.1	5,148,455	5,417,435
Deferred Government Assistance - note 10.1	2,629,954	3,009,175
	7,778,409	8,426,610
Less: Current portion shown under current liabilities	648,201	648,201
	7,130,208	7,778,409

10.1 This represents balance amount of GOP loan amounting to Rs 9,723,011 thousand which is repayable in 16 years with 1 year grace at zero percent effective November 30, 2001. Final installment will be paid in June 2017. This loan in accordance with International Accounting Standard-39 "Financial Instruments: Recognition and Measurement" is stated at its fair value and the difference is recognised as Deferred Government assistance. Deferred Government assistance is being amortised to fully offset the financial charge on the loan at an imputed market rate of 7%. The amount amortised and offset against financial charges during the year amounted to Rs 379,221 thousand (2004 Rs 396,816 thousand)

Under the terms of restructuring with GOP, the excess cash, which may arise based on a pre-defined mechanism, shall be shared by the Company with GOP through prepayment of GOP loan. Pending clarifications and certain interpretations required for determining excess cash, this loan has been accounted for on the basis of existing repayment schedule.

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

Since two ECA have yet to release HBL from its responsibility as guarantor therefore, the above referred guarantee and related charge on assets of the Company have not been vacated up to December 31, 2005. The Company is making efforts in getting this guarantee released.

	2005	2004
	(Rupees '000)	

11. TRADE AND OTHER PAYABLES

	2005	2004
Creditors	**1,615,935**	668,262
Accrued liabilities	**330,542**	250,015
Advances from customers	**605,000**	736,031
Workers' Profit Participation Fund - note 11.1	**9,206**	13,067
Unclaimed dividend	**321,950**	423,652
Tax deducted at source	**2,667**	56,264
Other payables	**20,695**	16,058
	2,905,995	2,163,349

11.1 Workers' Profit Participation Fund (WPPF)

	2005	2004
Balance at beginning of the year	**13,067**	19,229
Interest on funds utilised in the Company's business	**100**	95
Allocation for the year	**169,206**	113,066
	182,373	132,390
Payment to WPPF during the year	**173,167**	119,323
	9,206	13,067

12. MARK - UP ACCRUED

	2005	2004
On long term financing		
From banking companies and financial institutions	**45,240**	19,121
From PKIC, an associated undertaking	**5,571**	2,355
	50,811	21,476
On long term murabaha	**4,714**	1,992
On short term borrowings	**38,823**	4,068
	94,348	27,536

13. SHORT TERM RUNNING FINANCE - SECURED

The Company has arranged short term facilities from various banks on mark-up basis aggregating Rs. 2,300,000 thousand (2004: Rs. 2,300,000 thousand). These facilities carry mark-up ranging from 9.15% to 9.7% per annum (2004: 3.75% to 5.69% per annum) at the year end and are secured by hypothecation charge amounting to Rs 2,637,980 thousand over stocks and current assets of the Company. The purchase prices are repayable on various dates by the Company.

	2005	2004
	(Rupees '000)	

14. GRATUITY FUND

	2005	2004
Reconciliation of amounts recognised in the balance sheet is as follow:		
Present value of defined benefit obligation	**51,513**	36,576
Fair value of plan assets	**(38,690)**	(31,806)
Net actuarial losses not recognized	**(10,409)**	(1,149)
Unrecognised transitional liability	**(2,414)**	(3,621)
	-	-
Movement in liability recognised in the balance sheet:		
Opening liability	**-**	-
Expense for the year	**7,637**	6,672
Payments to the fund during the year	**(7,637)**	(6,672)
Closing liability	**-**	-
Amount recognised in the profit and loss account included in cost of sales and administrative expenses:		
Current service cost	**6,001**	5,600
Interest cost	**3,292**	2,240
Expected return on plan assets	**(2,863)**	(2,375)
Recognised transitional liability	**1,207**	1,207
	7,637	6,672

Actual return on plan assets during the year was 8.93 % p.a (2004: 3.93 % p.a.)

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2005 are as follows:

Discount rate	10.00%
Expected rate of salary growth	10.00%
Expected rate of return on plan assets	10.00%

	2005	2004
15. CONTINGENCIES AND COMMITMENTS	(Rupees '000)	
Contingencies		
i) Indemnity bonds and undertakings given to customs authorities for machinery imported by the Company for installation at plant site	**119,650**	119,650
Ii) Guarantees issued by banks on behalf of the Company	**21,556**	18,908
iii) Income tax demands raised on income on local currency bank deposits/unrealised exchange gain, which demands have been challenged and are currently in appeal; the Company expects favourable outcome in appeal	**57,147**	49,475
iv) Claim by a supplier, not acknowledged as debt by the Company pending arbitration-net	**-**	8,756
v) Claim by a supplier, not acknowledged as debt by the Company	**11,996**	11,818
Commitments		
I) Capital expenditure		
- Contracted	**728,161**	301,971
- Non-contracted	**1,612,982**	3,046,658
ii) Letters of credit for purchase of raw material and stores and spares	**643,607**	369,863
iii) Commitment for equity investment in Pakistan Maroc Phosphore S.A (PMP) - note 17.1, Moroccan Dirhams 93,750 thousand (2004:150,000 thousand) equivalent approx.	**622,500**	1,091,805
iv) Company's share of commitments in PMP itself is committed to incur capital expenditure of MAD 1,199,000 thousand equivalent Pak Rs 7,963,000 thousand.	**1,991,000**	-

16. PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

	COST			DEPRECIATION			Written down value	
	As at January 1, 2005	Of additions/ (disposals)/ transfers *	As at December 31, 2005	As at January 1, 2005	For the year/ (on disposals)/ transfers *	As at December 31, 2005	As at December 31, 2005	Annual rate of depreciation % on cost
Leasehold land	213,239	-	213,239	49,871	4,635	54,506	158,733	2 to 4
Free hold land	-	120,000	120,000	-	-	-	120,000	
Buildings on leasehold land	1,461,423	3,692	1,465,115	218,977	43,953	262,930	1,202,185	3
Plant and machinery	17,191,856	27,541	17,219,397	4,235,535	863,027	5,098,562	12,120,835	5
Catalyst	22,849	29,853	52,702	4,786	8,628	13,414	39,288	17 to 50
Furniture and fittings	7,500 -	501 (27)	7,974 -	5,283 -	763 (24)	6,022	1,952	10
Vehicles	40,457 - -	11,139 7,233 * (9,695)	49,134 - -	28,748 - -	5,579 4,013 * (7,050)	31,290 - -	17,844 - -	20
Office and other equipment	48,069 -	4,970 (341)	52,698 -	42,680 -	4,219 (182)	46,717 -	5,981 -	15
Computer and ancillary equipment	28,722	5,644	34,366	25,758	4,428	30,186	4,180	33
Library books	1,042	471	1,513	892	252	1,144	369	30
	19,015,157 - -	203,811 7,233 * (10,063)	19,216,138 - -	4,612,530 - -	935,484 4,013 * (7,256)	5,544,771 - -	13,671,367 - -	
Assets subject to finance lease								
Vehicles	27,003 -	- (7,233)*	19,770 -	12,695 -	3,954 (4,013)*	12,636 -	7,134 -	20
	27,003	(7,233)	19,770	12,695	(59)	12,636	7,134	
Capital work in progress note 16.1	122,414	762,188	884,602	-	-	-	884,602	
2005	**19,164,574**	**965,999** **(10,063)**	**20,120,510**	**4,625,225**	**939,438** **(7,256)**	**5,557,407**	**14,563,103**	
2004	18,877,914	292,593 (5,933)	19,164,574	3,699,058	930,099 (3,932)	4,625,225	14,539,349	

	2005	2004
	(Rupees '000)	
16.1 CAPITAL WORK IN PROGRESS		
This is made up as follows:		
Advances to suppliers	**19,914**	117,061
Plant and machinery under construction	**864,688**	3,160
Building under construction	**-**	2,193
	884,602	122,414
16.2 Depreciation charge has been allocated as follows:		
Cost of sales - note 27	**925,152**	920,778
Administrative expenses - note 29	**14,286**	9,321
	939,438	930,099

	Cost	Book value	Sale proceeds
		(Rupees '000)	
16.3 Details of property, plant and equipment sold:			
Vehicles			
By Company policy to company executives			
Maj. Gen. Qamar ul Zaman (Retd)	1,079	433	137
Syed Naveed Abbas	794	635	674
Brig. Nur-ul-Hassan (Retd)	999	599	100
By auction to outsider			
Mr. Noman Siddiqui	1,633	980	1,740
Aggregate of other items of property, plant and equipment with individual book value below Rs. 50,000	5,558	160	3,007
	10,063	2,807	5,658

	2005	2004
	(Rupees '000)	
17. LONG TERM INVESTMENTS		
Pakistan Maroc Phosphore S.A, Morocco - note 17.1	**734,275**	358,600
Investment - available for sale - unquoted		
Arabian Sea Country Club Limited (ASCCL) - note 17.3		
300,000 ordinary shares of Rs 10 each	**3,000**	3,000
Less: Impairment in value of investment	**(3,000)**	(3,000)
	-	-
	734,275	358,600

17.1 Cost of investment represents equivalent to Moroccan Dirhams 106,250 thousand out of total investment of Moroccan Dirhams 200,000 thousand representing 25% interest in Pakistan Maroc Phosphore S.A. Morocco (PMP). The principal activity of PMP is to manufacture and market phosphoric acid, fertilizer and other related products in Morocco and abroad. The remaining equity will be injected upon equity call by PMP in future periods. Accordingly, a commitment for the same has been disclosed in note 15 to the financial statements.

According to the shareholders' agreement, the Company cannot sell the shares of PMP outside Fauji Group for a period of five years effective September 14, 2004. Further, if any legal restriction is laid on dividends by PMP the same will be converted to interest bearing loan.

17.2 The following items represent the Company's interest In the assets, liabilities, revenue and expenses of PMP :

	2005
	(Rupees '000)
Non - current assets	**131,140**
Current assets	**625,120**
Current liabilities	**(51,402)**
Net assets	**704,858**
Income	**6,882**
Expenses	**(7,524)**

Adjustment for the Company's share in net assets of PMP was not considered since the amount was immaterial

17.3 As per audited accounts of ASCCL for the year ended June 30, 2005, the break-up value of an ordinary share was Rs 8.38 (June 30, 2004: Rs 5.89).

	2005	2004
	(Rupees '000)	
18. LONG TERM DEPOSITS		
Security deposit	**15,208**	15,308
Lease key money	**2,966**	4,050
	18,174	19,358
Less: Current portion of long term deposits - note 23	**779**	840
	17,395	18,518
19. STORES AND SPARES		
Stores	**34,514**	57,323
Spares	**496,027**	408,072
Items in transit	**50,838**	55,004
	581,379	520,399
Less: Provision for obsolescence	**4,297**	-
	577,082	520,399
20. STOCK IN TRADE		
Packing materials	**9,632**	24,757
Raw materials	**609,882**	178,859
Work in process	**1,504**	4,482
Finished goods (include imported goods of Rs 3,215 thousand 2004: Rs 4,751 thousand)	**401,939**	44,154
	1,022,957	252,252
21. TRADE DEBTS		
Considered good	**115,059**	430,822
Due from Fauji Foundation, an associated undertaking - unsecured, considered good - note 21.1	**22**	424
	115,081	431,246

21.1 Maximum aggregate amount due from Fauji Foundation at the end of any month during the year was Rs 1,001 thousand (2004: Rs 3,072 thousand).

	2005	2004
	(Rupees '000)	
22. ADVANCES		
Advances to:		
- Executives, unsecured considered good - note 22.1	**378**	573
- Executives, unsecured considered doubtful	**-**	51
	378	624
Provision for doubtful advances	**-**	(51)
	378	573
- Other employees, considered good	**3,318**	1,941
- Others, considered doubtful	**-**	95
	3,318	2,036
Provision for doubtful advances	**-**	(95)
	3,318	1,941
Advances to suppliers and contractors		
- Considered good	**34,120**	204,877
- Considered doubtful	**45**	1,982
	34,165	206,859
Provision for doubtful advances	**(45)**	(1,982)
	34,120	204,877
	37,816	207,391

22.1 This represents interest free house rent paid by the Company on behalf of Executives. Maximum amount outstanding on this account at the end of any month during the year was Rs 440 thousand (2004: Rs 625 thousand)

	2005	2004
	(Rupees '000)	
23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Current portion of long term deposits - note 18	**779**	840
Security deposits	**622**	17
Prepayments	**1,905**	1,483
	3,306	2,340
24. OTHER RECEIVABLES		
Due from the holding company- unsecured, considered good - note 24.1	**267,744**	315,492
Other receivables		
- Considered good (net)- note 24.2	**67,244**	5,486
- Considered doubtful	**53,482**	53,482
	120,726	58,968
Provision for doubtful receivables	**(53,482)**	(53,482)
	67,244	5,486
Insurance claims	**1,278**	1,278
	336,266	322,256

24.1 This interest free balance represents amount recovered by the holding company from customers on sale of the Company's products. The maximum amount due on this account at the end of any month during the year was Rs 730,814 thousand (2004: Rs 741,193 thousand) .

24.2 This includes unsecured balance of Rs 716 thousand (2004: Rs 680 thousand) receivable from Fauji Foundation on account of expenses incurred on its behalf. The maximum amount due on this account at the end of any month during the year was Rs 716 thousand (2004: Rs 680 thousand). This also includes Rs 51,800 thousand receivable from GOP on account of compensation of Rs 700,000 thousand which was due in June 2005 net of agreed GOP loan repayment of Rs. 648,201 thousand (refer note 32 for details)

	2005	2004
	(Rupees '000)	
25. BANK BALANCES		
Deposit accounts - note 25.1	**6,608,287**	5,054,753
Current accounts	**323,328**	23,860
	6,931,615	5,078,613

25.1 This includes Rs 1,315,479 thousand (2004: Rs 695,317 thousand) which are under pledge with commercial banks against letters of credit and Rs 75,089 thousand (2004: Rs 42,035 thousand) held under lien by the commercial banks against bank guarantees issued on behalf of the Company.

	2005	2004
	(Rupees '000)	
26. SALES	**15,277,232**	12,532,752
Less: Sales tax	**884,662**	930,000
Trade discounts / commission	**116,181**	120,687
Commission to the holding company - note 26.1	**21,625**	19,655
	1,022,468	1,070,342
	14,254,764	11,462,410

26.1 Commission is paid @ Re 1 per bag sold to the holding Company, based on inter company services agreement.

	2005	2004
27. COST OF SALES		
Raw materials consumed	**6,621,531**	5,342,370
Packing materials consumed	**270,870**	226,776
Fuel and power	**982,669**	886,633
Chemicals and supplies	**63,836**	73,096
Salaries, wages and benefits - note 27.1	**332,650**	238,350
Rent, rates and taxes	**20,481**	19,992
Insurance	**44,338**	43,619
Travel and conveyance	**28,423**	22,660
Repairs and maintenance	**206,917**	191,194
Communication, establishment and other expenses	**37,570**	22,786
Provision / (reversal of provision) for doubtful advances	**45**	(340)
Depreciation - note 16.2	**925,152**	920,778
Amortisation of intangible asset	**-**	23,686
Provision for inventory obsolescence	**4,297**	-
Opening stock - work in process	**4,482**	6,465
Closing stock - work in process	**(1,504)**	(4,482)
Cost of goods manufactured	**9,541,757**	8,013,583
Opening stock - own manufactured fertilizers	**39,403**	68,434
Closing stock - own manufactured fertilizers	**(398,724)**	(39,403)
Cost of sales - own manufactured fertilizers	**9,182,436**	8,042,614
Opening stock - purchased fertilizers	**4,751**	-
Purchase of fertilizers	**508,264**	163,760
Closing stock - purchased fertilizers	**(3,215)**	(4,751)
Cost of sales - purchased fertilizers	**509,800**	159,009
	9,692,236	8,201,623

27.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs 6,967 thousand, Rs 8,463 thousand and Rs 16,613 thousand respectively. (2004: Rs 5,245 thousand, Rs 6,501 thousand and Rs 6,100 thousand respectively).

	2005	2004
	(Rupees '000)	
28. DISTRIBUTION COSTS		
Product transportation	**1,044,439**	734,718
Expenses charged by the holding company - note 28.1		
Salaries, wages and benefits	**128,540**	111,480
Rent, rates and taxes	**19,886**	19,324
Technical services	**1,243**	1,187
Travel and conveyance	**24,510**	19,089
Sales promotion and advertising	**11,482**	14,739
Communication, establishment and other expenses	**11,134**	8,995
Warehousing expenses	**12,275**	16,909
Depreciation	**4,189**	4,625
	213,259	196,348
	1,257,698	931,066

28.1 These represent common expenses charged by the holding company on account of marketing of the Company's products based on an inter company services agreement.

	2005	2004
	(Rupees '000)	
29. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits - note 29.1	**51,952**	50,741
Travel and conveyance	**7,025**	5,328
Utilities	**1,024**	674
Printing and stationery	**1,617**	1,800
Repairs and maintenance	**1,836**	929
Communication, advertisement and other expenses	**9,232**	3,988
Rent, rates and taxes	**2,085**	1,418
Listing fee	**208**	1,346
Donation to President relief fund	**18,215**	-
Legal and professional	**3,612**	7,233
Depreciation - note 16.2	**14,286**	9,321
Amortisation of deferred costs	**-**	5,240
Miscellaneous	**3,378**	2,635
	114,470	90,653

29.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs 670 thousand, Rs 1,341 thousand and Rs 2,279 thousand respectively (2004: Rs. 1,426 thousand, Rs 1,657 thousand and Rs 1,981 thousand respectively)

29.2 The Company has not paid donation to any organization in which any director or his spouse has interest.

	2005	2004
	(Rupees '000)	
30. FINANCE COST		
Mark-up on long term financing		
- Banking companies and financial institutions	**149,438**	59,448
- PKIC, an associated undertaking	**18,402**	7,321
	167,840	66,769
Finance charge on leased property, plant and equipment	**1,051**	1,880
Mark-up on long term murabaha	**15,570**	6,194
Mark-up on short term borrowings	**73,845**	8,709
Interest on WPPF	**100**	95
Bank charges	**1,103**	876
Exchange loss	**308**	294
	259,817	84,817
31. OTHER OPERATING EXPENSES		
Workers' Profit Participation Fund - note 11.1	**169,206**	113,066
Auditor's remuneration		
Fees - annual audit	**400**	400
Fees - half yearly review	**100**	100
Out of pocket expenses	**40**	120
	540	620
	169,746	113,686

32. COMPENSATION RECEIVED FROM GOVERNMENT OF PAKISTAN (GOP)

GOP had committed to pay Rs 5 billion over a period of seven years in lieu of non - implementation of Fertilizer Policy, 1989. On this account, amounts aggregating Rs 2.4 billion have been received from GOP up to December 31, 2004. GOP Compensation of Rs 700,000 thousand which was receivable in June 2005 is yet to be received. However, this has been accrued in the books of account of the Company subject to netting off the agreed GOP loan repayment of Rs 648,201 thousand for the year 2005. Balance of Rs 1.9 billion will be received in one installment of Rs 700 million during the year 2006 and two installments of Rs 600 million each during the years 2007 and 2008, subject to netting off the agreed GOP loan repayments of Rs 648,201 thousand to be made by the Company each year.

Effective January 1, 2005, certain amendments have been made in the International Accounting Standards. Related to the Company, a significant change is the elimination of the concept of extraordinary item from IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The revised Standard prohibits disclosure of an extraordinary item in the financial statement. In case of the Company, GOP compensation was disclosed as an extraordinary item below profit after tax in the financial statements in prior years, which has now been grouped under other income in profit and loss account as a result of this change.

	2005	2004
	(Rupees '000)	

33. OTHER INCOME

	2005	2004
Income from financial assets		
Profit on bank balances	425,333	92,383
Income on payments made on behalf of FF - a related party	105	-
Income from assets other than financial assets		
Scrap sales and miscellaneous receipts	25,834	13,729
Gain on sale of property, plant and equipment	2,851	1,576
	28,685	15,305
	454,123	107,688

34. TAXATION

	2005	2004
Deferred	1,465,811	1,017,161

34.1 Reconciliation of tax charge for the year:

	2005 (Rupees '000)	2005 %	2004 (Rupees '000)	2004 %
Profit before tax	3,914,920		2,848,253	
Tax on profit	1,370,222	35.00	996,889	35.00
Tax effect of temporary differences	1,644,597	42.01	1,209,002	42.45
Tax effect of permanent differences	45,264	1.16	33,616	1.18
Tax effect of business losses	-	-	(83,003)	(2.91)
Tax effect of unabsorbed depreciation	(1,594,272)	(40.72)	(1,139,343)	(40.00)
	1,465,811	37.45	1,017,161	35.72

The Company has not provided for minimum tax under Section 113 of the Income Tax Ordinance 2001, as management is of the view that minimum tax payment will be available for adjustment against future tax liabilities of the Company in terms of section 113 (1) (c) of the Income Tax Ordinance, 2001.

35. BASIC AND DILUTED EARNINGS PER SHARE

	2005	2004
Net profit after tax (Rupees '000)	2,449,109	1,831,092
Weighted average number of ordinary shares in issue during the year (Thousands)	934,110	926,040
Basic and diluted earnings per share (Rupees)	2.62	1.98

There is no dilutive effect on the basic earnings per share of the Company for the year 2005.

36. CASH GENERATED FROM OPERATIONS

	2005	2004
	(Rupees '000)	
Profit before taxation	3,914,920	2,848,253
Adjustments for:		
Provision for gratuity	7,637	6,672
Depreciation	939,438	930,099
Amortisation of intangible asset / deferred costs	-	28,926
Finance costs	259,817	84,817
Compensation from GOP	(700,000)	(700,000)
Provision for doubtful advances / (reversal of provision)	45	(340)
Provision for inventory obsolescence	4,297	-
Profit on bank balances and interest on related party	(425,438)	(92,383)
Gain on sale of property, plant and equipment	(2,851)	(1,576)
Operating profit before working capital changes	3,997,865	3,104,468
Changes in working capital		
Stores and spares	(60,980)	(64,484)
Stock in trade	(770,705)	(42,741)
Trade debts	316,165	(38,869)
Advances	169,530	(195,166)
Trade deposits and short term prepayments	(966)	250
Other receivables	37,790	(80,453)
Trade and other payables	897,945	810,419
Sales tax payable	(59,461)	61,764
	529,318	450,720
	4,527,183	3,555,188

37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the year for remuneration including benefits applicable to the chief executive and executives of the Company are given below:

	2005 Chief Executive	2005 Executives	2004 Chief Executive	2004 Executives
	(Rupees '000)			
Managerial remuneration	2,512	70,612	2,672	34,849
Bonus	-	10,297	-	3,524
Good performance award	-	-	120	1,384
Travel assistance	660	9,095	624	2,491
Employee retirement benefits				
- Gratuity Fund	298	2,413	381	2,033
- Contributory Provident Fund	121	3,293	137	1,651
- Compensated absences	224	7,044	250	3,176
Others	341	2,159	142	1,591
	4,156	104,913	4,326	50,699
No. of person(s)	1	46	1	23

The above are provided medical facilities. Chief Executive and certain executives are also provided with the Company's maintained vehicles and household equipment in accordance with the Company's policy. Leave encashment was paid to the Chief Executive and Executives amounting to Rs Nil thousand (2004: Rs 685 thousand) and Rs 1,481 thousand (2004: Rs 191 thousand) on separation respectively in accordance with the Company's policy. The Company also makes contributions based on actuarial valuations to the gratuity fund.

In addition, the other directors of the Company are paid meeting fee aggregating Rs 24 thousand (2004: Rs 40 thousand). No remuneration was paid to directors of the Company; (2004: Nil). The number of directors of the Company was 9 (2004: 9).

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 Interest rate risk exposure

The Company's exposure to interest rate risk including contractual repricing or maturity dates, whichever is earlier, and the effective rates on its financial assets and liabilities as of December 31, 2005 are as follows:

	Interest/mark-up bearing								Non-interest/ mark-up bearing	2005	2004
	Maturity									(Rupees '000)	
	Effective interest rates %	In one year or less	In more than one year but not more than two years	In more than two years but not more than three years	In more than three years but not more than four years	In more than four years but not more than five years	In more than five years	Total	Total		
Financial assets											
Deposits	-	-	-	-	-	-	-	-	18,796	**18,796**	19,375
Trade debts	-	-	-	-	-	-	-	-	115,081	**115,081**	431,246
Advances	-	-	-	-	-	-	-	-	3,696	**3,696**	2,514
Interest accrued	-	-	-	-	-	-	-	-	85,545	**85,545**	23,733
Other receivables	-	-	-	-	-	-	-	-	336,266	**336,266**	322,273
Bank balances	8.00	6,608,287	-	-	-	-	-	6,608,287	323,328	**6,931,615**	5,078,613
	-	6,608,287	-	-	-	-	-	6,608,287	882,712	**7,490,999**	5,877,754
Financial liabilities											
Recognised											
Long term financing	6.85	416,944	416,944	416,944	416,944	416,944	208,472	2,293,192	-	**2,293,192**	2,710,136
Liabilities against assets subject to finance lease	9.00	4,015	2,765	3,529	-	-	-	10,309	-	**10,309**	17,757
Long term murabaha	6.85	38,679	38,679	38,679	38,679	38,679	19,335	212,730	-	**212,730**	251,409
Long term loan	0.00	-	-	-	-	-	-	-	7,778,409	**7,778,409**	8,426,610
Short term running finances	7.62	2,236,649	-	-	-	-	-	2,236,649	-	**2,236,649**	1,176,625
Trade and other payables	10.40	9,206	-	-	-	-	-	9,206	2,291,789	**2,300,995**	1,427,335
Mark - up accrued	-	94,348	-	-	-	-	-	94,348	-	**94,348**	27,536
	-	2,799,841	458,388	459,152	455,623	455,623	227,807	4,856,434	10,070,198	**14,926,632**	14,037,408
Unrecognised											
Contingencies	-	-	-	-	-	-	-	-	210,349	**210,349**	208,877
Commitments	-	-	-	-	-	-	-	-	5,598,250	**5,598,250**	4,810,297
	-	-	-	-	-	-	-	-	5,808,599	**5,808,599**	5,019,174
	-	2,799,841	458,388	459,152	455,623	455,623	227,807	4,856,434	15,878,797	**20,735,231**	19,056,582

38.2 Risk management

38.2.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. All the financial assets are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers besides obtaining guarantees and by dealing with variety of major banks and financial institutions.

38.2.2 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Currently, the Company is not materially exposed to foreign exchange risk.

38.2.3 Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines.

38.2.4 Interest rate risk management

Financial assets and financial liabilities include balances of Rs 6,608 million (2004: Rs 5,055 million) and Rs 4,752 million (2004: Rs 4,138 million) respectively, which are subject to interest rate risk. The Company has long term Rupee based loans at variable interest rates. Applicable interest rates for financial assets and financial liabilities have been indicated in respective notes.

38.3 Fair value of financial assets and liabilities

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

39. Related party transactions

The Company is a subsidiary of Fauji Fertilizer Company Limited (FFC) with 50.88 % holding (2004: 50.88%). FFC is sponsored by Fauji Foundation (FF) which holds 17.29 % shares (2004 :17.29 %) in the Company. Therefore all subsidiaries and associated undertakings of FF and FFC are related parties of the Company. In addition, Pak Kuwait Investment Company (Pvt.) Limited (PKIC), Actis (formerly CDC Holdings Sendirian Berhad), Malaysia and Pakistan Maroc Phosphore, Morocco, are also related parties of the Company due to common directorship. The related parties also comprise of directors, key management personnel, entities over which the directors are able to exercise influence, major suppliers and employees' funds. Associated undertakings of the Company with whom such transactions have taken place are given below. The remuneration of Chief Executive, directors and executives is disclosed in note 37 to the financial statements.

	2005	2004
Transactions with related parties	(Rupees '000)	
Fauji Fertilizer Company Limited		
Services and material acquired	**216,240**	213,527
Services and material provided	**2,457**	1,864
Collection from debtors of the company remitted	**15,133,257**	12,720,771
Commission paid	**21,625**	19,655
Reimbursement of expenses incurred on FFC's behalf related to long term investment	**-**	680
Dividend paid	**902,943**	451,471
Balance outstanding at the year end	**267,744**	315,492
Issue of right shares to FFC Employees' Provident Fund Trust	**-**	11,139
Fauji Foundation		
Goods sold to the projects	**1,288**	2,885
Rent charged to the Company	**704**	640
Right shares issued	**-**	3,713
Receipt on account of payment made to PMP on FF's behalf	**187,813**	358,600
Expenses related to long term investment incurred on FF's behalf	**-**	680
Income on payments made on behalf of FF	**105**	-
Balance outstanding at the year end	**738**	1,104
Dividend paid	**306,853**	153,426
ACTIS (formerly CDC Holdings Sendirian Berhad)		
Right shares issued	**-**	24,015
Dividend paid	**138,826**	83,424
PKIC		
Repayment of principal portion of loan	**45,714**	22,858
Financial charges paid	**18,402**	7,321
Right shares issued	**-**	5,350
Dividend paid	**4,122**	-
Maroc Phosphore S.A., Morocco		
Purchase of raw materials	**5,874,401**	3,445,394
Balance outstanding at the year end	**1,077,141**	361,545
Pakistan Maroc Phosphore S.A.		
Advance against issue of shares	**375,675**	358,600
Balance of advance at the year end	**734,275**	358,600
Employee retirement benefits		
Contribution to Provident Fund	**9,804**	8,158
Payment to Gratuity Fund	**7,637**	6,672

40. MAJOR CONTRACTS

The company has the following major contracts

40.1 Gas supply agreement with Sui Southern Gas Company Limited. Feed gas is supplied to the Company at subsidized rates under the Government policies.

40.2 Phosphoric acid supply agreement with Maroc Phosphore S.A., Morocco.

41. GENERAL

	2005	2004
	(Tonnes)	
41.1 Production capacity		
Design capacity		
Urea	**551,100**	551,100
DAP	**445,500**	445,500
Actual production		
Urea	**588,799**	574,286
DAP	**454,672**	380,947

41.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

41.3 These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on January 26, 2006.

41.4 The Board of Directors in their meeting held on January 26, 2006 have proposed final cash dividend of Re 0.5 per ordinary share which shall be accounted for in the financial statements for the quarter ending March 31, 2006.

CHAIRMAN　　CHIEF EXECUTIVE　　DIRECTOR

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31' 2005

PATTERN OF SHAREHOLDING	NO. OF SHARES
a) ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES	
Fauji Fertilizer Company Ltd.	475,232,996
Fauji Foundation	161,501,286
Actis (formerly CDC Holdings Sendirian Berhad, Malaysia)	39,460,390
Pakistan Kuwait Investment Company	4,644,845
b) NIT AND ICP	
National Bank Of Pakistan Trustee Dept.	1,613,500
Investment Corporation Of Pakistan	300,390
c) DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN	
Lt Gen Syed Arif Hasan HI(M) (Retired)	-
Lt Gen Muhammad Akram HI(M) (Retired)	1
Lt Gen Mahmud Ahmed HI(M) (Retired)	1
Mr. Qaiser Javed	1
Mr. Shabbir Hashmi	4,521
Brig Aftab Ahmad (Retired) & Wife (late)	1,000
Brig Munawar Ahmed Rana (Retired)	1
Istiqbal Mehdi	1
Brig Ghazanfar Ali (Retired)	1
d) EXECUTIVES	25,405
e) PUBLIC SECTOR COMPANIES AND CORPORATIONS, BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARBAS AND MUTUAL FUNDS	108,681,968
f) SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST	
Fauji Fertilizer Company Ltd.	475,232,996
Fauji Foundation	161,501,286

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31' 2005

Categories Of Shareholding	Number Of Shareholders	Number Of Shares Held	% AGE
1 - Individual	16903	149,781,820	**16.03**
2 - Investment Company	16	42,036,648	**4.50**
3 - Insurance Company	19	5,853,642	**0.63**
4 - Joint Stock Company	170	510,183,352	**54.62**
5 - Financial Institution	58	36,447,312	**3.90**
6 - Modaraba Company	9	394,716	**0.04**
7 - Foreign Company	11	458,000	**0.05**
8 - Co-op. Society	3	122,304	**0.01**
9 - Leasing Company	7	995,000	**0.11**
10 - Charitable Trusts	8	162,160,850	**17.36**
11-mutual Funds	32	22,954,650	**2.46**
12 - Others	27	2,721,706	**0.29**
Total:	**17263**	**934,110,000**	**100.00**

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31' 2005

Number Of Shareholders	Shareholdings From	Shareholdings To	Number Of Shares Held
666	1	100	37,806
4,906	101	500	2,264,448
3,591	501	1000	2,968,813
4596	1001	5000	13,062,634
1414	5001	10000	11,279,162
505	10001	15000	6,386,815
325	15001	20000	5,996,775
219	20001	25000	5,170,501
122	25001	30000	3,474,765
85	30001	35000	2,827,250
74	35001	40000	2,865,822
48	40001	45000	2,037,383
97	45001	50000	4,778,897
41	50001	55000	2,156,779
36	55001	60000	2,081,540
28	60001	65000	1,779,135
19	65001	70000	1,290,916
26	70001	75000	1,920,689
19	75001	80000	1,478,338
11	80001	85000	912,975
18	85001	90000	1,585,332
7	90001	95000	656,000
61	95001	100000	6,088,016
12	100001	105000	1,234,181
9	105001	110000	983,762
8	110001	115000	911,398
8	115001	120000	955,564
8	120001	125000	984,088
3	125001	130000	380,504
9	130001	135000	1,205,312
7	135001	140000	969,383
1	140001	145000	144,500
19	145001	150000	2,849,000
7	150001	155000	1,073,154
3	155001	160000	469,733
2	160001	165000	325,500
5	165001	170000	837,339
6	170001	175000	1,041,000
4	175001	180000	711,927
3	180001	185000	548,577
3	185001	190000	563,000
3	190001	195000	579,652
27	195001	200000	5,393,758
4	200001	205000	808,704
1	205001	210000	208,500
4	210001	215000	858,688
4	215001	220000	873,773
5	220001	225000	1,124,000
4	225001	230000	914,590
4	230001	235000	931,850
3	235001	240000	711,074
1	240001	245000	243,000

Number Of Shareholders	Shareholdings From	To	Number Of Shares Held
5	245001	250000	1,250,000
1	250001	255000	253,500
1	255001	260000	256,000
1	260001	265000	265,000
2	265001	270000	536,500
1	270001	275000	275,000
2	275001	280000	557,500
1	280001	285000	280,500
1	285001	290000	287,000
11	295001	300000	3,292,000
3	300001	305000	904,890
3	315001	320000	950,230
5	325001	330000	1,642,800
2	330001	335000	665,380
2	335001	340000	676,044
2	340001	345000	684,578
2	345001	350000	700,000
2	350001	355000	705,240
2	355001	360000	717,164
1	360001	365000	364,500
2	365001	370000	736,500
1	390001	395000	391,167
4	395001	400000	1,600,000
1	400001	405000	401,080
2	410001	415000	821,500
3	420001	425000	1,272,500
1	425001	430000	426,000
2	440001	445000	883,059
2	445001	450000	899,600
2	450001	455000	905,176
1	455001	460000	455,500
1	465001	470000	467,000
1	470001	475000	475,000
9	495001	500000	4,494,500
1	500001	505000	500,200
2	520001	525000	1,045,500
4	530001	535000	2,129,020
1	540001	545000	540,506
2	575001	580000	1,156,000
1	585001	590000	590,000
4	595001	600000	2,400,000
2	605001	610000	1,217,450
2	615001	620000	1,238,000
1	645001	650000	650,000
1	670001	675000	675,000
1	675001	680000	680,000
1	690001	695000	695,000
2	695001	700000	1,398,500
1	710001	715000	712,500
1	715001	720000	720,000
1	720001	725000	722,136
2	740001	745000	1,488,465
1	745001	750000	750,000
1	760001	765000	764,500
1	795001	800000	800,000
1	800001	805000	805,000

Number Of Shareholders	Shareholdings From	To	Number Of Shares Held
2	820001	825000	1,650,000
1	870001	875000	874,730
2	875001	880000	1,758,500
3	895001	900000	2,699,347
1	920001	925000	925,000
1	945001	950000	950,000
1	970001	975000	973,500
2	995001	1000000	1,992,221
1	1005001	1010000	1,006,057
1	1095001	1100000	1,100,000
1	1220001	125000	1,225,000
1	1225001	1230000	1,229,500
1	1280001	1285000	1,281,000
1	1285001	1290000	1,290,000
1	1295001	1300000	1,300,000
1	1305001	1310000	1,306,500
1	1385001	1390000	1,387,000
1	1440001	1445000	1,445,000
1	1445001	1450000	1,449,000
2	1450001	1455000	2,901,500
1	1470001	1475000	1,475,000
1	1540001	1545000	1,543,500
1	1625001	1630000	1,630,000
1	1650001	1655000	1,655,000
1	1720001	1725000	1,723,500
1	1755001	1760000	1,758,000
1	1770001	1775000	1,773,916
1	1775001	1780000	1,776,000
1	1800001	1805000	1,800,100
1	1820001	1825000	1,823,500
1	1905001	1910000	1,907,200
1	1995001	2000000	2,000,000
1	2110001	2115000	2,111,000
1	2265001	2270000	2,266,500
1	2295001	2300000	2,296,500
1	2455001	2460000	2,459,866
1	2475001	2480000	2,479,500
1	2500001	2505000	2,501,500
1	2625001	2630000	2,630,000
1	2640001	2645000	2,644,845
1	2795001	2800000	2,800,000
1	2875001	2880000	2,877,000
1	2895001	2900000	2,896,559
1	3030001	3035000	3,031,500
1	3495001	3500000	3,499,500
1	4595001	4600000	4,599,000
1	6105001	6110000	6,106,000
1	39460001	39465000	39,460,390
1	161500001	161505000	161,501,286
1	475230001	475235000	475,232,996
17263			**934,110,000**

FORM OF PROXY
12th Annual General Meeting

I/We____

of____

being a member(s) of Fauji Fertilizer Bin Qasim Limited hold_______________________

Ordinary Shares and hereby appoint Mr./Mrs./Miss___________________________

of________________or failing him/her________________________

of________________as my/our proxy in my/our absence________________

to attend and vote for me/us on my behalf at the 12th Annual General Meeting of the Company to be held on February 23, 2006 and/or any adjournment thereof.

In witness thereof I/We have signed and set my/our seal thereon this day of____________2006 in the presence of ____________________

Folio No.

Signatures on Two Rupees Revenue Stamp

These signatures should agree with the specimen registered with the Company

IMPORTANT

1. This Proxy Form, duly completed and signed, must be deposited at the registered office of the Company, 93-Harley Street, Rawalpindi not less than 48 hours before the time of holding of the meeting.

2. If a member appoints more than one proxies and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

Fold Here

AFFIX CORRECT POSTAGE

The Company Secretary
FAUJI FERTILIZER BIN QASIM LIMITED
93-Harley Street,
Rawalpindi

Fold Here

Fold Here

Fold Here

Fold Here

Fold Here

Fold Here