

ANNUAL REPORT 2006



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OPERATING HIGHLIGHTS

KEY INDICATORS		2001	2002	2003	2004	2005	2006
Operating							
Gross profit margin	%	0.14	26.24	22.52	28.44	32.01	31.85
Pre tax margin	%	-	29.15	20.62	24.80	27.46	25.54
After tax margin	%	(51.55)	53.91	23.25	15.97	17.18	16.62
Performance							
Return on total assets	%	(17.07)	7.90	3.85	6.25	8.11	7.19
Total assets turnover	Times	0.33	0.21	0.27	0.52	0.58	0.53
Fixed assets turnover	Times	0.37	0.25	0.34	0.79	0.98	0.99
Inventory turnover	Days	31	29	16	10	24	33
Return on paid up share capital *	%	(96.00)	13.97	8.20	14.73	21.35	21.30
Leverage							
Debt Equity Ratio	Times	-	77:23	66:34	59:41	58:42	56:44
Current Ratio	Times	0.14	0.84	1.53	1.53	1.46	1.34
Quick Ratio	Times	0.09	0.56	1.19	1.36	1.21	1.15
Valuation							
Earnings per share	(Rs)	(9.64)	3.90	1.31	1.98	2.62	2.62
Earning growth	%	6.23	140.50	(66.41)	51.15	32.32	-
Break up value	(Rs)	(9.23)	4.70	6.60	7.65	8.27	9.14
Dividend per share - Interim	(Rs)	-	-	-	1.00	2.00	1.25
Dividend per share - Proposed final**	(Rs)	-	-	-	-	0.50	1.25
Dividend payout ratio - Including Proposed final	%	-	-	-	51.01	95.42	95.42
Price earning ratio	Times	(0.34)	2.45	13.44	15.45	14.56	10.81
Market price per share	(Rs)	3.25	9.55	17.60	30.60	38.15	28.30
Market capitalisation	Rs (M)	1,086	7,735	16,014	28,584	35,636	26,435
HISTORICAL TRENDS				Rupees in million			
Trading Results							
Sales - net		6,246	3,953	5,167	11,462	14,255	14,707
Gross profit		8	1,037	1,164	3,261	4,563	4,684
Profit / (loss) before tax		(3,189)	1,152	1,065	2,848	3,915	3,757
Profit / (loss) after tax		(3,220)	2,131	1,201	1,831	2,449	2,445
Financial position							
Shareholders' equity		(3,085)	3,807	6,008	7,147	7,728	8,538
Property , plant and equipment		16,702	15,873	15,203	14,539	14,563	14,930
Working capital		(12,452)	(354)	1,027	2,382	2,922	2,893
Non current liabilities		7,440	12,788	11,408	10,296	10,508	10,714

* Return represents profit after taxation, excluding net of tax GOP compensation.

** Post balance sheet event

COMPANY INFORMATION

DIRECTORS

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

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

Lt Gen Munir Hafiez, HI(M), (Retd)

Mr. Qaiser Javed

Mr. Istaqbal Mehdi

Brig Arif Rasul Qureshi, SI(M), (Retd)

Brig Rahat Khan, SI(M), (Retd)

Dr. Nadeem Inayat

Brig Aslam Paunwar Khan, SI(M), (Retd)

Brig Tariq Mahmood, SJ, SI(M), (Retd)

SECRETARY

REGISTERED OFFICE

73-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
Tel: (051) 9273251

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held on February 27, 2007 at Pearl Continental Hotel, Rawalpindi, at 1100 hrs to transact the following business:-

Ordinary Business

1. To confirm minutes of 12th Annual General Meeting held on February 23, 2006.
2. 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, 2006.
3. To appoint Auditor(s) of the Company for the year 2007 and fix their remuneration.
4. To elect Directors of the Company for a period of three years commencing from the date of elections, as stipulated vide Section 178 of the Companies Ordinance, in that:-
 - a. Pursuant to Section 178(1) and (2) (a) of the Companies Ordinance, 1984, the Board of Directors through a Resolution passed in the meeting, held on January 24, 2007 have fixed the number of Directors at 9 (Nine) including a non executive independent Director.
 - b. Pursuant to Sections 178 (2) (b) and (3) of the Companies Ordinance, 1984, names of the retiring Directors are as under and they have offered themselves for re-election :-
 - ▶ Lt Gen Syed Arif Hasan (Retd)
 - ▶ Lt Gen Munir Hafiez (Retd)
 - ▶ Lt Gen Muhammad Akram (Retd)
 - ▶ Mr. Qaiser Javed
 - ▶ Brig Arif Rasul Qureshi (Retd)
 - ▶ Brig Rahat Khan (Retd)
 - ▶ Brig Aslam Paunwar Khan (Retd)
 - ▶ Dr Nadeem Inayat
 - ▶ Mr Istaqbal Mehdi
5. Any other business with the permission of the Chair.

Special Business

6. To consider and, if thought fit, pass, with or without modification, the following resolution as a special resolution for the purpose of approving investment in Foundation Power Company (Daharki) Limited (FPCDL), an associated company, in the amount of up to Rs 1.5 Billion (Rupees One Billion and Five Hundred Million only):

“RESOLVED THAT the Company invest, by way of investment in Foundation Power Company (Daharki) Limited, an associated company, in the amount of up to Rs 1.5 Billion (Rupees One Billion and Five Hundred Million only).

FURTHER RESOLVED THAT the Company do all such acts, deeds and things as may be necessary and/or expedient for the aforesaid purpose or in furtherance thereof including, without limitation, to enter into and deliver and implement any and all agreements or undertakings as may be necessary or expedient for the purpose.

FURTHER RESOLVED THAT the Managing Director, Company Secretary and General Manager Finance, or such one or more other persons as the Managing Director may from time to time specially designate for the purpose, be and are hereby severally authorised to take any and all actions necessary or conducive for such investment or in implementation thereof including, without limitation, to negotiate, finalize and execute as applicable any and all contracts, instruments, powers of attorney, notices, certificates, documents (of whatever nature and description) for or in connection with the said investment; issue any notices, seek any approvals, make any filings and do all such acts, deeds and things as they may deem necessary and/or expedient.”

By Order of the Board
Fauji Fertilizer Bin Qasim Limited

Rawalpindi
February 04, 2007

Brig Tariq Mahmood (Retd)
Company Secretary

Statement U/S 160(1)(b) of the Companies Ordinance, 1984

- i. **Name of investee company or associated undertaking:** Foundation Power Company (Daharki) Limited (FPCDL).
- ii. **Nature, amount and extent of investment:** Investment of up to Rs 1.5 Billion (Rupees One Billion and Five Hundred Million only).
- iii. **Average market price of the shares intended to be purchased during preceding six months in case of listed companies:** Not applicable.
- iv. **Break-up value of shares intended to be purchased on the basis of last published financial statements:** FPCDL was incorporated on 10th Nov 2005 and its first financial statements have not been prepared.
- v. **Price at which shares will be purchased:** Direct equity investment will be made based on par value of Rs 10 per share.
- vi. **Earning per share of investee company in last three years:** Not applicable.
- vii. **Source of funds from where shares will be purchased:** Internal cash generation.
- viii. **Period for which investment will be made:** Indefinite.
- ix. **Purpose of investment:** Long term investment in power generation aimed at achieving business diversification.
- x. **Benefits likely to accrue to the company and the shareholders from the proposed investment:** This investment will help the Company sustain business profitability and add to shareholders' value. Therefore, new sources of investment / income must be explored. The Directors, therefore, recommend that the Company invest in power generation business in collaboration with Fauji

Foundation, which has formed FPCDL, a 175 MW independent power generation company. Investment in FPCDL represents a long term stable investment that offers a steady, attractive revenue stream to the Company and its shareholders. Given the advantages of diversification and the growing demand for power, the Directors consider that it would be in the best interest of the Company and its shareholders to invest in FPCDL an amount of up to Rs 1.5 Billion (Rupees One Billion and Five Hundred Million only).

- xi. **Interest of directors and their relatives in the investee company:** The directors and their relatives have no personal interest in FPCDL.

NOTES:-

1. Share transfer books of the Company will remain closed from February 21 to 27, 2007 (both days inclusive).
2. A member of the Company entitled to attend and vote at AGM may appoint a person/representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's Registered Office, 73-Harley Street, Rawalpindi not later than 48 hours before the time of holding meeting.
3. Any person who seeks to contest the election for Directorship shall file at Company's registered office not later than 14 days before the day of the Meeting, his intention to offer himself for election as Director in terms of Section 178(3) of the Companies Ordinance, 1984.
4. The CDC account/sub account holders are requested to bring with them their National ID Cards alongwith participants(s) ID numbers and their account numbers at the time of attending the AGM 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, 2006

The Board of Directors is pleased to present 13th Annual Report alongwith audited Financial Statements of the Company and the Auditors' report thereon for the year ended December 31, 2006.

Turnaround of 27 days i.e, from March 21st to April 16th 2006 has been the salient feature of the year performance which was aimed at improving the reliability and increasing production capacity of ammonia, urea and DAP plants. Alhamdulillah! the first phase of ammonia BMRE has been successfully completed. Resultantly, highest daily as well as annual production of urea and ammonia have been achieved.

Production of ammonia at 444 kt was 1% higher than the output in the corresponding period of the last year, similarly, granular urea at 601 kt was 2% higher. DAP at 450 kt, however, was 1% below the output of the last year.

Production statistics enumerated above show consistent plant operations whereas urea, ammonia and DAP operated at 105%, 104% and 103% respectively.

1. Fertilizer Industry Situation

1.1 Urea Production, Import and Sales

Continuing with the high demand situation of the previous year, Year 2006 maintained a healthy urea market trend. Urea inventory of 72 kt at the beginning of Jan 2006 was 177% higher compared to the opening inventory of 26 kt in the year 2005. During the first quarter, dealers kept building up their urea inventories, resulting in 16% sales growth as compared to same period last year. During Kharif 2006, large scale imports of urea by the GOP also resulted in oversupply situation.

During year 2006, industry urea sales at 5,236 kt were 1% higher than 5,179 kt sales of the previous year. Fertilizer marketing companies also increased urea prices by Rs 46 per bag during the period under review. This increase was attributed to the inflation and the rise in fuel/feed gas prices by GOP in the months of January and July.

Industry urea production at 4,803 kt for the year was 2% higher than 4,693 kt of the last year. 625 kt urea was imported, consequently, its inventory at the end of December, 2006 was at 243 kt, which was 238% higher than the inventory of 72kt at the end of year 2005.

1.2 DAP Production, Import and Sales

Industry DAP inventory of 292 kt at the beginning of the year 2006, was much higher as compared to 65 kt at the start of year 2005. During Jan-Jun 2006, DAP industry also showed a sales growth of 3% over the same period of the last year.

Industry DAP sales of the year stood at 1,517 kt which were 11% higher than 1,367 kt sales of year 2005. DAP production of the Company despite 27 days plant turnaround, remained at 450 kt, which was 1% lower than the production at 455 kt in the previous year. DAP plant, however achieved a capacity factor of 110% comparing with 109% of the last year.

846 kt of DAP was imported which was 27% lesser as compared to 1,152 kt imports made during the last year. DAP inventory at the end December 2006 of 111 kt was 62% lower as compared to previous year's 292 kt closing inventory.

News about GOP's intentions to subsidize Phosphatic and Potassic fertilizers adversely affected sales during the third quarter of the year consequently, the sales showed a decline of 56% against the sales of the third quarter of year 2005. However, GOP subsidy of Rs 250 per bag boosted the sales by 58% during the fourth quarter of the year, vis-à-vis over the same period of the last year.

2. Operational Highlights

The Company achieved ever-highest Ammonia and Urea production during the year with a significant increase over year 2005, despite 27 days turnaround and gas curtailment by SSGC. This was mainly attributed to successful implementation of Ammonia BMR Phase-I.

Ammonia production at 444 kt, was 1% higher over the production of year 2005 and 4% above the target, despite the fact that on certain occasions ammonia plant operated at low load due to reduction in natural gas supply. After implementation of Ammonia BMR Phase-I, there had been no downtime for ammonia plant, since April 15, 2006. Moreover, Ammonia plant capacity factor has crossed 100% for the first time, which is 5% more than the last year, energy consumption index has dropped from 10.44 of the last year to 9.94 Giga Calories per ton of Ammonia, thus saving Rs 40/ton of Ammonia approximately.

Granular Urea production at 601 kt was 2% higher than 2005 and 5% over the target, whereas DAP production at 450 kt was 1% lower than the last year, achieving 3% over the target. DAP inventory stood at 4 kt, which was 85% lower as compared to 26 kt closing inventory of December 2005.

2.1 Balancing, Modernization , Revamping Expansion

BMRE of the plant is progressing satisfactorily. Ammonia project would be completed by the end second quarter 2007, which would increase its production to 123%. DAP expansion by end 4th quarter 2007 would be raising production to 151%, Insha Allah.

3. Marketing Highlights

3.1 Sales Performance

The Company sold 596 kt of urea achieving 104% of the target in addition to 73 kt of the imported urea. During year 2006, total urea sales of 669 kt were 3% higher comparing 652 kt sales for the year 2005 and 102% against the target. Company's share of urea market growth, however, remained same.

Sona DAP sales during the year were 472 kt showing an achievement of 109%. The sales were 10% higher in the year as compared to 430 kt sales for the year 2005. Company's DAP market share narrowed to 31.1% as compared to 31.9% in the last year.

4. Financial Highlights

With the grace of Almighty Allah, the Company has achieved good financial results, the same are summarized below:-

	2006 Rs. in million	2005 Rs. in million
Sales-net	14,707	14,255
Cost of sales	(10,023)	(9,692)
Gross Profit	4,684	4,563
Expenses	(2,179)	(1,802)
Other income	1,252	1,154
Taxation	(1,312)	(1,466)
Profit After Tax	2,445	2,449
Earnings per share (EPS)	2.62	2.62

During the year, sales net of DAP subsidy, increased by 3% as such DAP subsidy given to farmers by the GOP through fertilizer Companies is deducted from the cost of production. It decreased the net sales price of the last quarter by Rs 250 per bag, thereby sales of the Company were reduced by the amount of subsidy.

Cost of sales, net of DAP subsidy has increased by 3% over the last year. Has it not been there, the cost of sales would have increased by 16% i.e, Rs 1.6 billion mainly on account of increase in phosphoric acid prices by US \$16 per Metric Ton and fuel gas increase by 25%.

An expense of Rs 78 million has increased due to the changes in Finance Ordinance 2006 regarding Workers Welfare Fund.

Despite the plant annual turnaround shutdown for 27 days, gross profit i.e, 32 % of the sales remained the same as that of the previous year. Consistent gross margins as of the last year are mainly due to better plant efficiency, 5% increase in sales volume and improved selling prices of urea.

Other income mainly includes GOP compensation of Rs 700 million and that of bank deposits, amounting Rs 518 million. Overall it was higher by 8% compared to the last year due to improved profit rates and better liquidity position of the company.

Net profit for the year, amounting Rs 2.4 billion is marginally the same compared to the last year. Consequently, earning per share stands at Rs 2.62, as that of the previous year.

5. Dividend Distribution

The Company paid the following dividends in the year.

- Final dividend @ Rs 0.50 / share in respect of 2005.
- First interim dividend @ Rs 0.50/ share in the second quarter 2006.
- Second interim dividend @ Rs 0.75 /share in the third quarter 2006.

6. Mission Statement

FFBL mission is to continue pursuing the progressive strategy based on the principle of maintaining the spirit of excellence, remain amongst the best companies at delivering competitively priced quality fertilizers, achieving sustainable growth rate in all activities and 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 operations.
- Remain exemplary through commitment to business ethics, safety, health, environment and involvement in the Community.
- Be one of the best corporate employers.
- Remain a good corporate citizen.
- Continue to look for other project investment opportunities to remain progressive, flexible and viable.

8. Corporate Governance

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

- Audit
- Technical
- Human Resources

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**

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 the preparation of financial statements.

13. **Internal Control System**

Company's system of internal control is sound in design, effectively implemented and is being monitored continuously. Ongoing review will continue in future for further improvement in the 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 are ratified by the Audit Committee and then approved by the Board of Directors. Amounts or appropriate proportions of outstanding items pertaining to the 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 the last six years is attached to the annual report.

18. **Environment, Health and Safety**

The overall health, safety and environment performance of the plant was excellent throughout the year. Company achieved 4.29 million safe man-hours by the end of year 2006.

19. **Integrated Management System (IMS)**

The Company has developed and implemented following three international standards to improve in quality, environment, health and safety.

- Quality Management System (ISO 9001:2000)
- Environmental Management System (ISO 14001:2004)
- Occupational Health & Safety Assessment Series (OHSAS 18001:1999)

Our work practices, emissions and safety procedures at the Head office and the Plantsite were verified by the world renowned international certification agent, Ms BVQI during March 2006. Alhamdulillah, we were certified for all three standards in the first attempt.

20. Shareholders' Information

20.1 Company's Publications

To update shareholders about the operation and growth of their Company, the management publishes and mails the following reports:-

- The Company's Annual Financial Statements alongwith Directors' Report and External Auditors' Report thereon.
- Second quarter and half yearly Financial Statements alongwith Directors' Review and External Auditors' Review/Report thereon.
- First and Third Quarters Financial Statements alongwith the Directors' Review.

21. Contribution to National Exchequer

During the year, the Company has contributed an amount of Rs 1,410 million towards the national exchequer on account of government levies, taxes and import duties, etc.

22. Employees Retirement Benefits

Value of investment of provident and gratuity funds as on December 31, 2006 (un-audited) is as under:-

	2006 (Rs. in million)	2005 (Rs. in million)
Provident Fund	176	155
Gratuity Fund	51	37

23. Board of Directors

During the year, five meetings of the Board of Directors were held, attendance was as under:-

<u>Names of Directors</u>	<u>No of Meetings</u>	
Lt Gen Syed Arif Hasan (Retd)	5	
Lt Gen Muhammad Akram (Retd)	5	
Lt Gen Mahmud Ahmed (Retd)	1	Resigned with effect from 16 Mar 06
Lt Gen Munir Hafiez (Retd)	4	Appointed with effect from 17 Mar 06
Mr Qaiser Javed	5	
Mr Shabbir Hashmi	2	Resigned with effect from 5 Jul 06
Mr Istaqbal Mehdi	1	
Brig Munawar Ahmed Rana (Retd)	3	Resigned with effect from 11 Aug 06
Brig Aslam Paunwar Khan (Retd)	2	Appointed with effect from 12 Aug 06
Brig Aftab Ahmad (Retd)	2	Resigned with effect from 6 Jul 06
Brig Rahat Khan (Retd)	3	Appointed with effect from 7 Jul 06
Brig Ghazanfar Ali (Retd)	2	Resigned with effect from 11 May 06
Brig Arif Rasul Qureshi (Retd)	3	Appointed with effect from 24 May 06
Dr Nadeem Inayat	3	Appointed with effect from 12 Jul 06

24. **Vacation of Directors**

Lt Gen Munir Hafiez (Retd), Brig Rahat Khan (Retd), Brig Aslam Paunwar Khan (Retd), Brig Arif Rasul Qureshi (Retd) and Dr Nadeem Inayat have been appointed Directors of the Company on resignation of Lt Gen Mahmud Ahmed (Retd), Brig Aftab Ahmad (Retd), Brig Munawar Ahmed Rana (Retd), Brig Ghazanfar Ali (Retd) and Mr Shabbir Hashmi. The Board places on record its appreciation for the valuable advice and services rendered by the outgoing Directors, and welcome the new incumbents.

25. **Board Committees**

25.1 **Audit Committee**

The Committee comprises 4 members including the Chairman of the Committee. All members are non-executive directors. The Committee meets at least once every quarter of the financial year. It reviews Company's interim and annual financial results prior to the approval by Board of Directors, 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 the framework of internal control and appropriate ethical standards for the management of the Company.

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

<u>Names of Directors</u>	<u>No of Meetings</u>	
Mr Qaiser Javed	5	
Brig Aftab Ahmad (Retd)	2	Resigned with effect from 6 Jul 06
Brig Rahat Khan (Retd)	2	Appointed with effect from 7 Jul 06
Brig Ghazanfar Ali (Retd)	1	Resigned with effect from 11 May 06
Brig Arif Rasul Qureshi (Retd)	3	Appointed with effect from 24 May 06
Dr Nadeem Inayat	1	Appointed with effect from 12 Jul 06

25.2 **Technical Committee**

This Committee comprises 3 members including the Chairman. It reviews all technical matters pertaining to the plant operations and capital expenditure of the Company.

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

<u>Names of Directors</u>	<u>No of Meetings</u>	
Brig Aftab Ahmad (Retd)	1	Resigned with effect from 6 Jul 06
Brig Rahat Khan (Retd)	2	Appointed with effect from 7 Jul 06
Brig Arif Rasul Qureshi (Retd)	3	Appointed with effect from 24 May 06
Dr Nadeem Inayat	2	Appointed with effect from 12 Jul 06

26. **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.

27. **Assessment of Effectiveness of Risk Management**

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

28. 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 disclosing potential conflicts of interest. Details of director related entity transactions with the Company are set out in Note 38 to the Financial Statements for the year ended December 31, 2006.

29. 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.

30. 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 of the Company or their spouses may acquire shares, but are prohibited from dealing in Company shares.
- If CE, any Director, Executives or their spouses sell, buy or take any position, whether directly or 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 their/his intention alongwith 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 not traded in Company's shares during the year.

31. 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. Industrial Peace Agreement was signed on August 21, 2006 with CBA, for another two years, to the satisfaction of both parties and harmonious functioning.

32. Auditors

Present auditors, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, retire and offer themselves for re-appointment. The Audit Committee recommended re-appointment of retiring auditors for the year 2007 with 10% rise in remuneration.

33. Future Outlook

33.1 Balancing, Modernization and Revamping of DAP Plant

DAP revamp project was initiated with completion target of 20 months and agreement has accordingly been signed with M/S JACOBS Engineering, USA for capacity enhancement from 100% to 151%. Basic engineering has been completed, while detailed engineering is in progress. All out efforts are being made to complete the project by December 2007, in line with PMP's (Morocco) production.

33.2 Ammonia Balancing, Modernization and Revamping Expansion

Preparations for BMRE Phase-II are moving ahead as planned. All major contracts and purchase orders are in place. The project is likely to be completed by 2nd quarter 2007.

33.3 Pakistan Maroc Phosphore S.A, Morocco

Regular meetings of the Board of Directors and Project Monitoring Committee of PMP were held during the year, to review progress of the project. Detailed engineering of phosphoric acid and sulphuric acid plants have been completed. Approximately 90% of the orders have been committed. 80% civil works have been completed and mechanical erection has commenced in all major areas. The project is likely to be completed within the project cost of Moroccan Dirhams (MAD) 2,030 million with commercial production to start in the fourth quarter 2007, Insha Allah.

The Company has remitted MAD 94 million (Rs 677 million) during the year. The Company has now fully paid its share of investment of MAD 200 million (Rs 1,411 million) representing 25% interest in the total equity of PMP.

33.4 Foundation Power Company (Daharki) Limited (FPCDL)

Subject to the approval by the Company's shareholders, FFBL intends investing an amount upto Rs 1.5 Billion in Foundation Power Company (Daharki) Limited.

FPCDL is an independent 175 MW power generation associated company established by Fauji Foundation. National Electric Power Regulatory Authority (NEPRA) has approved a project cost of US\$ 196.472 million and determined levelized tariff of 7.24 US cents/kWh with equity IRR of 15% net of withholding tax on dividends. Finalization of Engineering, Procurement and Construction (EPC) Contract, Power Purchase Agreement (PPA) and Gas Supply Agreement (GSA) are in process and are expected to be completed by mid of 2007. The Project is likely to commence commercial operations by mid 2009.

The Directors considered that given the advantages of diversification and the growing demand for power in the country, investment in FPCDL represents a long term stable investment that offers a steady and attractive revenue stream to the Company and would help sustain business profitability and add to shareholders' value.

The approval of the said investment, by special resolution of the Company's shareholders, will be sought at the general meeting to be convened on February 27, 2007.

34. Shareholding Pattern

The pattern of shareholding is attached with this report.

35. Acknowledgements

Fine Results in year 2006 are attributable to the collective efforts of the management, staff and workers. It was not possible without their commitment to the cause, dedication and professionalism. The Board acknowledges excellent team effort and their appreciable achievements. The Board also pays gratitude 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 in the future as well.

For and on behalf of the Board

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

Rawalpindi
January 24, 2007

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company: Fauji Fertilizer Bin Qasim Limited

Year ended: 31 December 2006

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, one independent non executive director (representing minority shareholders) and seven 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 NBFIs 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 2006, 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 alongwith 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. 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.
10. 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.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.
12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an *Audit Committee*. It comprises four members, who are all non-executive Directors including the Chairman of the Committee.
15. 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.
16. The Company has set up 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.
17. 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.
18. 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.
19. We confirm that all other material principles contained in the Code have been complied with.

Rawalpindi
January 24, 2007

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 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, 2006.

Islamabad
January 24, 2007

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

FOR THE YEAR ENDED DECEMBER 31, 2006

We have audited the annexed balance sheet of Fauji Fertilizer Bin Qasim Limited ("the Company") as at December 31, 2006 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:
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, 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, 2006 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 24, 2007

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006	2005
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	9,341,100	9,341,100
Capital reserve	5	228,350	228,350
Accumulated loss		(1,031,754)	(1,841,919)
		8,537,696	7,727,531
NON-CURRENT LIABILITIES			
Long term financing	6	1,459,304	1,876,248
Liabilities against assets subject to finance lease	7	3,310	6,294
Long term murabaha	8	135,373	174,051
Deferred tax liability	9	2,634,339	1,322,283
Long term loan	10	6,482,007	7,130,208
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	11	2,674,903	2,905,995
Mark - up accrued	12	104,952	94,348
Short term running finances	13	4,531,836	2,236,649
Current portion of:			
- Long term financing	6	416,944	416,944
- Liabilities against assets subject to finance lease	7	2,586	4,015
- Long term murabaha	8	38,679	38,679
- Long term loan	10	648,201	648,201
Sales tax payable		11,226	-
		8,429,327	6,344,831
		27,681,356	24,581,446

CONTINGENCIES AND COMMITMENTS 15

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

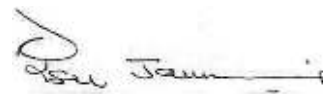
	Note	2006	2005
		(Rupees '000)	
PROPERTY, PLANT AND EQUIPMENT	16	14,930,339	14,563,103
LONG TERM INVESTMENTS	17	1,411,150	734,275
LONG TERM DEPOSITS	18	17,273	17,395
CURRENT ASSETS			
Stores and spares	19	797,314	577,082
Stock in trade	20	800,535	1,022,957
Trade debts	21	231,272	115,081
Advances	22	61,160	37,816
Trade deposits and short term prepayments	23	5,058	3,306
Interest accrued		91,218	85,545
Other receivables	24	1,346,867	336,266
Income and sales tax refundable		251,034	157,005
Investments at fair value through profit or loss	25	502,387	-
Bank balances	26	7,235,749	6,931,615
		11,322,594	9,266,673
		27,681,356	24,581,446



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006	2005
		(Rupees '000)	
Sales - net	27	14,707,288	14,254,764
Cost of sales	28	(10,023,044)	(9,692,236)
GROSS PROFIT		4,684,244	4,562,528
Distribution costs	29	(1,420,401)	(1,257,698)
Administrative expenses	30	(103,643)	(114,470)
		3,160,200	3,190,360
Finance cost	31	(412,370)	(259,817)
Other operating expenses	32	(243,074)	(169,746)
		2,504,756	2,760,797
Other income			
Compensation from GOP	33	700,000	700,000
Others	34	552,158	454,123
		1,252,158	1,154,123
PROFIT BEFORE TAXATION		3,756,914	3,914,920
Taxation	35	(1,312,056)	(1,465,811)
PROFIT AFTER TAXATION		2,444,858	2,449,109
Basic and diluted earnings per share (Rupees)	36	2.62	2.62

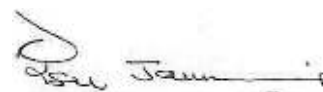
The annexed notes 1 to 41 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006	2005
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	2,888,625	4,700,351
Finance cost paid		(401,765)	(193,005)
Compensation received from GOP (net)		51,800	-
Taxes paid		(107,272)	(129,304)
Payment to gratuity fund		(11,141)	(7,637)
Payment to Workers' Profit Participation Fund		(159,386)	(173,167)
Net cash generated from operating activities		2,260,861	4,197,238
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,358,324)	(965,999)
Proceeds from sale of property, plant and equipment		3,990	5,658
Investment in Pakistan Maroc Phosphore S.A. Morocco		(676,875)	(375,675)
Long term deposits		121	1,123
Investments at fair value through profit or loss		(500,000)	-
Profit received on bank balances		512,525	363,625
Net cash used in investing activities		(2,018,563)	(971,268)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		(416,944)	(416,944)
Principal portion of lease rentals paid		(4,413)	(7,448)
Long term murabaha - repayments		(38,678)	(38,678)
Dividends paid		(1,773,316)	(1,969,922)
Net cash used in financing activities		(2,233,351)	(2,432,992)
Net (decrease) / increase in cash and cash equivalents		(1,991,053)	792,978
Cash and cash equivalents at beginning of the year		4,694,966	3,901,988
Cash and cash equivalents at end of the year		2,703,913	4,694,966
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprises the following balance sheet amounts:			
- Bank balances	26	7,235,749	6,931,615
- Short term running finances	13	(4,531,836)	(2,236,649)
		2,703,913	4,694,966

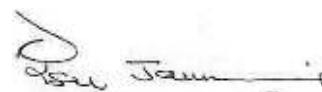
The annexed notes 1 to 41 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2006

	Share Capital	Capital reserve	Accumulated loss	Total
(Rupees '000)				
Balance at January 01, 2005	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 (Rs. 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
Final dividend 2005 (Rs: 0.5 per ordinary share)	-	-	(467,055)	(467,055)
Profit for the year	-	-	2,444,858	2,444,858
First interim dividend 2006 (Rs. 0.5 per ordinary share)	-	-	(467,055)	(467,055)
Second interim dividend 2006 (Rs. 0.75 per ordinary share)	-	-	(700,583)	(700,583)
Balance at December 31, 2006	9,341,100	228,350	(1,031,754)	8,537,696

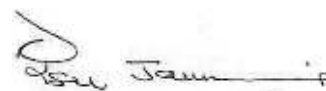
The annexed notes 1 to 41 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

1. STATUS AND NATURE OF BUSINESS

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

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 the approved accounting standards require 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.

Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

3.1.1 Staff retirement gratuity

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

3.1.2 Property, plant and equipment

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

3.1.3 Provision for inventory obsolescence and doubtful receivables

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares. Further the carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

3.1.4 Taxation

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

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 major 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 major 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 except for freehold land and capital work in progress are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land and capital work in progress are stated at cost less allowance for impairment, if any. Cost of an item of property, plant and equipment comprises purchase price, import duties and other costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Depreciation is calculated on the straight line method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 16.

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 Borrowing costs

Mark up, interest and other charges are expensed as incurred.

3.6 Investments

3.6.1 Investment available for sale

Available for sale investments are initially recognised at cost and carried at fair value at the balance sheet date. Gain or loss on remeasurement of available for sale financial assets is recognised directly in equity through the statement of changes in equity until disposal at which time the full amount of gain or loss is recycled to the profit and loss account for the year.

3.6.2 Investments at fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking, are classified as investments at fair value through profit or loss. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account. The fair values of such investments representing listed equity securities are determined on the basis of prevailing market prices.

3.6.3 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.

3.7 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.

3.8 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 net realisable value.

3.9 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.

3.10 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, if any. Bad debts are written off when identified.

3.11 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.

3.12 Trade and other payables

Trade and other payables are stated at their respective nominal values.

3.13 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 thereagainst 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.

3.14 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.

3.15 Dividends

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

3.16 Foreign currency transactions

Transactions in foreign currency are accounted for at the exchange rates prevailing on the date of transactions. All monetary assets and liabilities denominated in foreign currencies at the year end are translated at exchange rates prevailing at the balance sheet date. Exchange differences are included in profit and loss account for the year.

3.17 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.

3.18 Basis of allocation of common expenses

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

3.19 Government compensation

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

3.20 DAP subsidy for farmers

DAP subsidy announced by the GOP for farmers is recognized in the profit and loss account by deducting the amount of subsidy from the related production expenses on a systematic basis in the same period in which these production expenses are incurred.

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 and amortised cost respectively, whichever is applicable. The Company derecognizes financial assets and liabilities when it ceases to be a party to such contractual provisions 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 a net basis or to realize the asset and settle the liability simultaneously.

3.23 New accounting standards and IFRIC interpretations that are not yet effective

The following standard, amendment and interpretation of approved accounting standards are effective for next financial year and are not expected to have a significant effect on the Company's financial statements:

- IFRS 5 - Non Current Assets Held for Sale and Discontinued Operations
- Amendment to IAS 1 - Presentations of Financial Statements Capital Disclosures
- IFRIC 10 - Interim Financial Reporting and Impairment

In addition to above, the following standards and IFRICs have also been issued and are generally applicable to financial periods beginning on or after 01 January 2007. However, management believes that these standards and IFRICs either do not have any impact on the current transactions of the Company or the Company would be able to comply with the revised requirements:

- IFRS 2 - Share-based Payments
- IFRS 3 - Business Combinations
- IFRS 6 - Explorations for and Evaluation of Mineral Resources
- IFRIC 4 - Determining whether an Arrangement contains a Lease
- IFRIC 8 - Scope of IFRS 2, Share-based Payments
- IFRIC 9 - Reassessment of Embedded Derivatives
- IFRIC 10 - Interim Financial Reporting and Impairment
- IFRIC 11 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements

	2006 (Rupees in '000)	2005 (Rupees in '000)
4. SHARE CAPITAL		
4.1 ISSUED, SUBSCRIBED AND PAID - UP CAPITAL		
934,110,003 Ordinary shares of Rs 10 each issued for cash	9,341,100	9,341,100

4.2 The holding company, Fauji Foundation, and Pakistan Kuwait Investment Company (Pvt) Ltd (PKIC) held 475,232,996, 161,501,286, and 4,080,845 (2005 : 475,232,996, 161,501,286 and 4,644,845) ordinary shares respectively of the Company at the year end.

	2006 (Rupees in '000)	2005 (Rupees in '000)
4.3 AUTHORIZED SHARE CAPITAL		
1,100,000,000 Ordinary shares of Rs 10 each	11,000,000	11,000,000

5. CAPITAL RESERVE

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

6. LONG TERM FINANCING - SECURED

	2006 (Rupees in '000)	2005 (Rupees in '000)
From banking companies and financial institutions		
Habib Bank Limited (HBL)	584,080	713,875
Standard Chartered Bank (SCB)	333,990	408,210
MCB Bank Limited (MCB)	575,777	703,727
Askari Commercial Bank Limited (ACBL)	128,571	157,143
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited (SAPICO)	48,116	58,808
	1,670,534	2,041,763
From associated undertaking		
Pak Kuwait Investment Company (Pvt) Limited (PKIC)	205,714	251,429
	1,876,248	2,293,192
Less: Current portion shown under current liabilities	(416,944)	(416,944)
	1,459,304	1,876,248

Lender	Purchase price	Marked-up- price	Mark-up rate	No. of quarterly installments outstanding	Repayment commenced from
(Rupees in '000)					
HBL	908,571	1,690,772	12 months' Treasury bill rate	18	July 2004
SCB	519,539	966,819	12 months' Treasury bill rate	18	July 2004
MCB	895,653	1,666,735	12 months' Treasury bill rate	18	July 2004
ACBL	200,000	372,183	12 months' Treasury bill rate	18	July 2004
SAPICO	74,847	139,283	12 months' Treasury bill rate	18	July 2004
PKIC	320,000	595,493	12 months' Treasury bill rate	18	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 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

	2006		2005	
	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 in '000)			
Gross minimum lease payments payable in future	2,801	3,338	4,489	6,553
Less: Finance charge allocated to future periods	(215)	(28)	(474)	(259)
	2,586	3,310	4,015	6,294

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 2,045 thousand (2005: Rs 2,966 thousand) and has intention to exercise the option.

8. LONG TERM MURABAHA - SECURED

	2006 (Rupees in '000)	2005 (Rupees in '000)
Faysal Bank Limited (FBL) - a banking company	174,052	212,730
Less: Current portion shown under current liabilities	(38,679)	(38,679)
	135,373	174,051

Lender	Facility	Purchase price	Mark-up rate	No. of quarterly installments outstanding	Repayment commenced from
	(Rupees in '000)				
FBL	270,748	503,840	12 months' Treasury bill rate	18	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 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

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

	2006 (Rupees in '000)	2005 (Rupees in '000)
Accelerated depreciation	2,656,641	1,346,129
Provision against doubtful receivables	(18,734)	(18,734)
Provision for inventory obsolescence	(1,504)	(1,504)
Liabilities against assets subject to finance lease	(2,064)	(3,608)
	2,634,339	1,322,283

10. LONG TERM LOAN - UNSECURED

	2006 (Rupees in '000)	2005
Government of Pakistan (GOP) loan - note 10.1	4,860,646	5,148,455
Deferred Government Assistance - note 10.1	2,269,562	2,629,954
	7,130,208	7,778,409
Less: Current portion shown under current liabilities	(648,201)	(648,201)
	6,482,007	7,130,208

10.1 This represents balance amount of GOP loan amounting to Rs 9,723,011 thousand which is repayable in equal installments 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 rate of 7%. The amount amortised and offset against financial charges during the year amounted to Rs 360,392 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.

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 by assuming ECA loan liabilities by absolving related banks and financial institutions of their liabilities for which they earlier issued guarantees to ECA. As a result, two ECA have released the guarantee of HBL and have returned the original documents.

Since two ECA have yet to release HBL from its responsibility as guarantor therefore, the above referred guarantee and related charge on assets of the Company have not been vacated upto December 31, 2006. The Company is making efforts in getting this guarantee released.

	2006 (Rupees in '000)	2005
11. TRADE AND OTHER PAYABLES		
Creditors	1,497,540	1,615,935
Accrued liabilities	397,603	330,542
Advances from customers	472,353	605,000
Workers' Profit Participation Fund - note 11.1	14,973	9,206
Workers' Welfare Fund	77,561	-
Unclaimed dividend	183,327	321,950
Tax deducted at source	2,002	2,667
Other payables	29,544	20,695
	2,674,903	2,905,995
11.1 Workers' Profit Participation Fund (WPPF)		
Balance at beginning of the year	9,206	13,067
Interest on funds utilised in the Company's business	180	100
Allocation for the year	164,973	169,206
	174,359	182,373
Payment to WPPF during the year	(159,386)	(173,167)
	14,973	9,206
12. MARK - UP ACCRUED		
On long term financing		
From banking companies and financial institutions	38,036	45,240
From PKIC, an associated undertaking	4,669	5,571
	42,705	50,811
On long term murabaha	3,830	4,714
On short term running finances	58,417	38,823
	104,952	94,348

13. SHORT TERM RUNNING FINANCES - SECURED

The Company has arranged short term facilities from various banks on mark-up basis aggregating Rs. 4,700,000 thousand (2005: Rs. 2,300,000 thousand). These facilities carry mark-up ranging from 10.23% to 10.71% per annum (2005: 9.15% to 9.7% per annum) at the year end and are secured by hypothecation charge over stocks and current assets of the Company and lien on bank deposits. The purchase prices are repayable on various dates by the Company.

14. GRATUITY FUND

Reconciliation of amounts recognised in the balance sheet is as follow:

	2006 (Rupees in '000)	2005
Present value of defined benefit obligation	69,346	51,513
Fair value of plan assets	(50,528)	(38,690)
Net actuarial losses not recognized	(17,611)	(10,409)
Unrecognised transitional liability	(1,207)	(2,414)
	-	-
Movement in liability recognised in the balance sheet:		
Opening liability	-	-
Expense for the year	11,141	7,637
Payments to the fund during the year	(11,141)	(7,637)
Closing liability	-	-
Amount recognised in the profit and loss account included in cost of sales and administrative expenses:		
Current service cost	8,214	6,001
Interest cost	5,151	3,292
Expected return on plan assets	(3,869)	(2,863)
Actuarial losses recognised	438	-
Recognised transitional liability	1,207	1,207
	11,141	7,637

Actual return on plan assets during the year was 10.16 % p.a (2005: 8.93 % p.a.)

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2006 are as follows:

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

15. CONTINGENCIES AND COMMITMENTS

Contingencies

	2006 (Rupees in '000)	2005
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	28,469	21,556
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	50,727	57,147
iv) Claim by a supplier, not acknowledged as debt by the Company	12,198	11,996

Commitments

i) Capital expenditure - contracted	1,296,862	728,161
ii) Letters of credit for purchase of raw material and stores and spares	316,948	643,607
iii) Commitment for equity investment in Pakistan Maroc Phosphore S.A.	-	622,500
iv) Company's share of commitments in Pakistan Maroc Phosphore S.A. (a joint venture with OCP). The joint venture itself is committed to incur capital expenditure of MAD 1,326,000 thousand (2005:1,199,000) Equivalent Pak Rs 9,600,240 thousand (2005: 7,963,000).	2,400,060	1,991,000

16. PROPERTY, PLANT AND EQUIPMENT

	OWNED ASSETS										LEASED ASSETS		Total
	Leasehold land	Freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress	Vehicles	

(R u p e e s , 0 0 0)

COST

Balance as at Jan 01, 2005	213,239	-	1,461,423	17,191,856	7,500	40,457	48,069	28,722	1,042	22,849	122,414	27,003	19,164,574
Additions during the year	-	120,000	3,692	27,541	501	11,139	4,970	5,644	471	29,853	762,188	-	965,999
Disposals	-	-	-	-	(27)	(9,695)	(341)	-	-	-	-	-	(10,063)
Transfers/Adjustments	-	-	-	-	-	7,233	-	-	-	-	-	(7,233)	-
Balance as at Dec 31, 2005	213,239	120,000	1,465,115	17,219,397	7,974	49,134	52,698	34,366	1,513	52,702	884,602	19,770	20,120,510
Balance as at Jan 01, 2006	213,239	120,000	1,465,115	17,219,397	7,974	49,134	52,698	34,366	1,513	52,702	884,602	19,770	20,120,510
Additions during the year	111	-	2,537	6,701	360	28,257	2,558	5,028	177	14,768	1,297,827	-	1,358,324
Disposals	-	-	-	-	-	(6,725)	(71)	-	-	-	-	-	(6,796)
Transfers/adjustments	-	-	-	-	-	810,863	-	-	-	(382)	(810,863)	(6,135)	(382)
Balance as Dec 31, 2006	213,350	120,000	1,467,652	18,036,961	8,334	76,801	55,185	39,394	1,690	67,088	1,371,566	13,635	21,471,656

DEPRECIATION

Balance as at Jan 01, 2005	49,871	-	218,977	4,235,535	5,283	28,748	42,680	25,758	892	4,786	-	12,695	4,625,225
Additions during the year	4,635	-	43,953	863,027	763	5,579	4,219	4,428	252	8,628	-	3,954	939,438
Disposals	-	-	-	-	(24)	(7,050)	(182)	-	-	-	-	-	(7,256)
Transfers/adjustments	-	-	-	-	-	4,013	-	-	-	-	-	(4,013)	-
Balance as at Dec 31, 2005	54,506	-	262,930	5,098,562	6,022	31,290	46,717	30,186	1,144	13,414	-	12,636	5,557,407
Balance as at Jan 01, 2006	54,506	-	262,930	5,098,562	6,022	31,290	46,717	30,186	1,144	13,414	-	12,636	5,557,407
Additions during the year	4,639	-	44,030	901,848	652	13,549	1,930	5,392	305	15,066	-	2,727	990,138
Disposals	-	-	-	-	-	(5,786)	(60)	-	-	-	-	-	(5,846)
Transfers/adjustments	-	-	-	-	-	4,454	-	-	-	(382)	-	(4,454)	(382)
Balance as at Dec 31, 2006	59,145	-	306,960	6,000,410	6,674	43,507	48,587	35,578	1,449	28,098	-	10,909	6,541,317
Written down value- 2005	158,733	120,000	1,202,185	12,120,835	1,952	17,844	5,981	4,180	369	39,288	884,602	7,134	14,563,103
Written down value- 2006	154,205	120,000	1,160,692	12,036,551	1,660	33,294	6,598	3,816	241	38,990	1,371,566	2,726	14,930,339

Rate of depreciation

2 to 4%	-	3%	5%	10%	20%	15%	33%	30%	17 to 50%	-	20%
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16.1 CAPITAL WORK IN PROGRESS

This is made up as follows:

Advances to suppliers

Plant and machinery under construction

2006 (Rupees in '000)	2005
4,715	19,914
1,366,851	864,688
1,371,566	884,602

16.2 Depreciation charge has been allocated as follows:

Cost of sales - note 28

Administrative expenses - note 30

986,363	925,152
3,775	14,286
990,138	939,438

16.3 Details of property, plant and equipment sold:

Vehicles

By Company policy to company executives

Syed Ali Nazim

Mr. Abdul Majid Zia

By auction to outsiders

Aggregate of other items of property, plant and equipment with individual book value below Rs. 50,000

Cost **Book value** **Sale proceeds**
(Rupees '000)

939	564	692
939	376	532
4,847	-	2,740
71	10	26

2006	6,796	950	3,990
2005	10,063	2,807	5,658

17. LONG TERM INVESTMENTS

Pakistan Maroc Phosphore S.A, Morocco - note 17.1

Investment - available for sale - unquoted

Arabian Sea Country Club Limited (ASCCL) - note 17.3

300,000 ordinary shares of Rs 10 each

Less: Impairment in value of investment

2006 (Rupees in '000)	2005
1,411,150	734,275
3,000	3,000
(3,000)	(3,000)
-	-
1,411,150	734,275

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

According to the shareholders' agreement, 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 Pakistan Maroc Phosphor S.A., 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:

	2006 (Rupees in '000)	2005 (Rupees in '000)
Non - current assets	598,915	131,140
Current assets	929,574	625,120
Current liabilities	(141,153)	(51,402)
Net assets / (liabilities)	1,387,336	704,858
Income	19,545	6,882
Expenses	(18,682)	(7,524)

Adjustment for the Company's share in profit/(loss) of PMP was not considered since the amount was immaterial.

17.3 As per audited accounts of ASCCL for the year ended June 30, 2006, the break-up value of an ordinary share was Rs 6.33 (June 30, 2005: Rs 8.38).

	2006 (Rupees in '000)	2005 (Rupees in '000)
18. LONG TERM DEPOSITS		
Security deposit	15,228	15,208
Lease key money	2,045	2,966
	17,273	18,174
Less: Current portion of long term deposits - note 23	-	(779)
	17,273	17,395
19. STORES AND SPARES		
Stores	31,258	34,514
Spares	656,379	496,027
Items in transit	113,974	50,838
Less: Provision for obsolescence	(4,297)	(4,297)
	797,314	577,082
20. STOCK IN TRADE		
Packing materials	13,936	9,632
Raw materials	206,424	341,653
Raw materials in transit	336,167	268,229
Work in process	4,801	1,504
Finished goods (include imported goods of Rs 139,885 thousand 2005: Rs 3,215 thousand)	239,207	401,939
	800,535	1,022,957
21. TRADE DEBTS		
Considered good	230,874	115,059
Due from Fauji Foundation, an associated undertaking - unsecured, considered good	398	22
	231,272	115,081

	2006 (Rupees in '000)	2005
22. ADVANCES		
Advances to:		
- Executives, unsecured considered good	795	378
- Other employees, unsecured considered good	4,935	3,318
Advances to suppliers and contractors		
- Considered good	55,430	34,120
- Considered doubtful	45	45
	55,475	34,165
Provision for doubtful advances	(45)	(45)
	55,430	34,120
	61,160	37,816

23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Current portion of long term deposits - note 18	-	779
Security deposits	1,387	622
Prepayments	3,671	1,905
	5,058	3,306

24. OTHER RECEIVABLES		
Due from the holding company- unsecured, considered good - note 24.1	375,022	267,744
Other receivables		
- Considered good (net)- note 24.2	969,891	67,244
- Considered doubtful	53,482	53,482
	1,023,373	120,726
Less: Provision for doubtful receivables	(53,482)	(53,482)
	969,891	67,244
Insurance claims	1,954	1,278
	1,346,867	336,266

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

	2006 (Rupees in '000)	2005
24.2 This includes the following:		
- Unsecured receivable from Fauji Foundation (an associated undertaking)	867	716
- Receivable from GOP against subsidy on DAP (refer note 28.2 for details)	946,083	-
- Receivable from GOP against compensation of prior losses net of agreed GOP loan repayment of Rs 648,201 thousand (refer note 33 for details)	51,800	51,800

	2006 (Rupees in '000)	2005
25. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Fixed income / money market funds - note 25.1	500,000	-
Surplus on remeasurement	2,387	-
	502,387	-

25.1 This represents investment in open end mutual funds and are valued at their respective re-purchase price.

	2006 (Rupees in '000)	2005
26. BANK BALANCES		
Deposit accounts - note 26.1	7,047,562	6,608,287
Current accounts	188,187	323,328
	7,235,749	6,931,615

26.1 This includes Rs 2,327,529 thousand (2005: Rs 1,315,479 thousand) which are under pledge with commercial banks against letters of credit and for short term running finances. In addition Rs 115,309 thousand (2005: Rs 75,089 thousand) held under lien by the commercial banks against bank guarantees issued on behalf of the Company.

	2006 (Rupees in '000)	2005
27. SALES	15,777,640	15,277,232
Less: Sales tax	921,803	884,662
Trade discounts	125,724	116,181
Commission to the holding company - note 27.1	22,825	21,625
	1,070,352	1,022,468
	14,707,288	14,254,764

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

28. COST OF SALES

	2006 (Rupees in '000)	2005
Raw materials consumed	7,098,429	6,621,531
Packing materials consumed	304,025	270,870
Fuel and power	1,230,819	982,669
Chemicals and supplies	72,643	63,836
Salaries, wages and benefits - note 28.1	332,360	332,650
Rent, rates and taxes	21,577	20,481
Insurance	47,909	44,338
Travel and conveyance	30,969	28,423
Repairs and maintenance	257,294	206,917
Communication, establishment and other expenses	46,895	37,570
Provision for doubtful advances	-	45
Depreciation - note 16.2	986,363	925,152
Provision for inventory obsolescence	-	4,297
Opening stock - work in process	1,504	4,482
Closing stock - work in process	(4,801)	(1,504)
Subsidy on DAP fertilizer from Government of Pakistan - note 28.2	(1,322,110)	-
Cost of goods manufactured	9,103,876	9,541,757
Opening stock - own manufactured fertilizers	398,724	39,403
Closing stock - own manufactured fertilizers	(99,322)	(398,724)
Cost of sales - own manufactured fertilizers	9,403,278	9,182,436
Opening stock - purchased fertilizers	3,215	4,751
Purchase of fertilizers	756,436	508,264
Closing stock - purchased fertilizers	(139,885)	(3,215)
Cost of sales - purchased fertilizers	619,766	509,800
	10,023,044	9,692,236

28.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs 10,084 thousand, Rs 9,694 thousand and Rs 16,310 thousand respectively. (2005: Rs 6,967 thousand, Rs 8,463 thousand and Rs 16,613 thousand respectively).

28.2 This represents subsidy of Rs 250 per bag of DAP as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan. The subsidy is being given on inventories held on September 30, 2006 and production effective October 01, 2006.

29. DISTRIBUTION COSTS

	2006 (Rupees in '000)	2005
Product transportation	1,169,597	1,044,439
Expenses charged by the holding company - note 29.1		
Salaries, wages and benefits	156,085	128,540
Rent, rates and taxes	20,462	19,886
Technical services	1,733	1,243
Travel and conveyance	29,176	24,510
Sales promotion and advertising	8,916	11,482
Communication, establishment and other expenses	15,106	11,134
Warehousing expenses	14,033	12,275
Depreciation	5,293	4,189
	250,804	213,259
	1,420,401	1,257,698

29.1 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.

	2006 (Rupees in '000)	2005
30. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits - note 30.1	70,195	51,952
Travel and conveyance	6,097	7,025
Utilities	1,435	1,024
Printing and stationery	2,308	1,617
Repairs and maintenance	1,122	1,836
Communication, advertisement and other expenses	8,941	9,232
Rent, rates and taxes	2,755	2,085
Listing fee	212	208
Donations	500	18,215
Legal and professional	2,432	3,612
Depreciation - note 16.2	3,775	14,286
Miscellaneous	3,871	3,378
	103,643	114,470

30.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs 1,057 thousand, Rs 1,782 thousand and Rs 3,875 thousand respectively (2005: Rs. 670 thousand, Rs 1,341 thousand and Rs 2,279 thousand respectively).

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

	2006 (Rupees in '000)	2005
31. FINANCE COST		
Mark-up on long term financing		
- Banking companies and financial institutions	159,912	149,438
- PKIC, an associated undertaking	19,692	18,402
	179,604	167,840
Finance charge on leased property, plant and equipment	461	1,051
Mark-up on long term murabaha	16,661	15,570
Mark-up on short term running finances	204,817	73,845
Interest on Workers' Profit Participation Fund	180	100
Bank charges	1,391	1,103
Exchange loss	9,256	308
	412,370	259,817
32. OTHER OPERATING EXPENSES		
Workers' Profit Participation Fund - note 11.1	164,973	169,206
Workers' Welfare Fund	77,561	-
Auditor's remuneration		
Fees - annual audit	400	400
Fees - half yearly review	100	100
Out of pocket expenses	40	40
	540	540
	243,074	169,746

33. 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 3.1 billion have been received from GOP up to December 31, 2006. GOP compensation of Rs 700,000 thousand which was receivable in June 2006 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 2006. Balance of Rs 1.2 billion will be received in 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.

	2006 (Rupees in '000)	2005
34. OTHER INCOME		
Income from financial assets		
Profit on bank balances	518,198	425,333
Surplus on remeasurement of investments at fair value through profit or loss	2,387	-
	520,585	425,333
Income on payments made on behalf of FF- a related party	-	105
Income from assets other than financial assets		
Scrap sales and miscellaneous receipts	28,533	25,834
Gain on sale of property, plant and equipment	3,040	2,851
	31,573	28,685
	552,158	454,123
35. TAXATION		
Deferred	1,312,056	1,465,811

	2006 (Rupees in '000)		2005 (Rupees in '000)	
		%		%
35.1 Reconciliation of tax charge for the year:				
Profit before tax	3,756,914		3,914,920	
Tax on profit	1,314,920	35.00	1,370,222	35.00
Tax effect of temporary differences	(7,583)	(0.20)	50,325	1.29
Tax effect of permanent differences	4,719	0.13	45,264	1.16
	1,312,056	34.93	1,465,811	37.45

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.

	2006	2005
36. BASIC AND DILUTED EARNINGS PER SHARE		
Profit after taxation (Rupees '000)	2,444,858	2,449,109
Weighted average number of ordinary shares in issue during the year (thousands)	934,110	934,110
Basic and diluted earnings per share (Rupees)	2.62	2.62

There is no dilutive effect on the basic earnings per share of the Company for the year 2006.

37. CASH GENERATED FROM OPERATIONS

	2006 (Rupees in '000)	2005
Profit before taxation	3,756,914	3,914,920
Adjustments for:		
Provision for gratuity	11,141	7,637
Provision for Workers' Profit Participation Fund	164,973	169,206
Depreciation	990,138	939,438
Finance cost	412,370	259,817
Compensation from GOP	(700,000)	(700,000)
Provision for doubtful advances	-	45
Provision for inventory obsolescence	-	4,297
Surplus on remeasurement of investments to fair value through profit or loss	(2,387)	-
Profit on bank balances and interest on related party	(518,198)	(425,438)
Gain on sale of property, plant and equipment	(3,040)	(2,851)
Operating profit before working capital changes	4,111,911	4,167,071
Changes in working capital		
Stores and spares	(220,232)	(60,980)
Stock in trade	222,422	(770,705)
Trade debts	(116,191)	316,165
Advances	(23,344)	169,530
Trade deposits and short term prepayments	(1,752)	(966)
Other receivables	(1,010,601)	37,790
Trade and other payables	(97,393)	901,907
Sales tax	23,805	(59,461)
	(1,223,286)	533,280
	2,888,625	4,700,351

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2006		2005	
	Chief Executive	Executive	Chief Executive	Executive
	(Rupees in '000)			
Managerial remuneration	3,719	116,105	2,512	70,612
Bonus	-	23,071	-	10,297
Contributory Provident Fund	174	5,523	121	3,293
Others	1,638	33,039	1,523	20,711
	5,531	177,738	4,156	104,913
No. of person(s)	1	74	1	46

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. Gratuity is payable to the chief executive in accordance with the terms of employment and for executives on the basis of actuarial valuations. Leave encashment was paid to executives amounting to Rs 362 thousand (2005: Rs 1,481 thousand) on separation 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 36 thousand (2005: Rs 24 thousand). No remuneration was paid to directors of the Company; (2005: Nil). The number of directors of the Company was 9 (2005: 9).

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

39.1 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, 2006 are as follows:

	Interest/mark-up bearing						Non-interest/mark-up bearing		2006 (Rupees '000)
	Effective interest rates %	In one year or less	Maturity				Total	Total	
			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			
Financial assets									
Deposits		-	-	-	-	-	-	18,660	18,660
Trade debts		-	-	-	-	-	-	231,272	231,272
Advances		-	-	-	-	-	-	61,160	61,160
Interest accrued		-	-	-	-	-	-	91,218	91,218
Other receivables		-	-	-	-	-	-	1,346,867	1,346,867
Investments at fair value through profit or loss		-	-	-	-	-	-	502,387	502,387
Bank balances	11.28	7,047,562	-	-	-	-	-	7,047,562	7,235,749
		7,047,562	-	-	-	-	-	7,047,562	2,439,751
Financial liabilities									
Recognised									
Long term financing	8.84	416,944	416,944	416,944	416,944	208,472	-	1,876,248	-
Liabilities against assets subject to									
finance lease	8.00	2,586	3,310	-	-	-	-	5,896	-
Long term murabaha	8.84	38,679	38,679	38,679	38,679	19,336	-	174,052	-
Long term loan		-	-	-	-	-	-	7,130,208	7,130,208
Short term running finances	9.81	4,531,836	-	-	-	-	-	4,531,836	-
Trade and other payables	18.75	14,973	-	-	-	-	-	14,973	2,187,577
Mark - up accrued		-	-	-	-	-	-	-	104,952
		5,005,018	458,933	455,623	455,623	227,808	-	6,603,005	9,422,737
Unrecognised									
Contingencies		-	-	-	-	-	-	211,044	211,044
Commitments		-	-	-	-	-	-	4,013,870	4,013,870
		-	-	-	-	-	-	4,224,914	4,224,914
		5,005,018	458,933	455,623	455,623	227,808	-	6,603,005	13,647,651
									20,250,656

	Interest/mark-up bearing						Non-interest/mark-up bearing		2005 (Rupees '000)
	Effective interest rates %	In one year or less	Maturity				Total	Total	
			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			
Financial assets									
Deposits		-	-	-	-	-	-	18,796	18,796
Trade debts		-	-	-	-	-	-	115,081	115,081
Advances		-	-	-	-	-	-	3,696	3,696
Interest accrued		-	-	-	-	-	-	85,545	85,545
Other receivables		-	-	-	-	-	-	336,266	336,266
Bank balances	7.88	6,608,287	-	-	-	-	-	6,608,287	323,328
		6,608,287	-	-	-	-	-	6,608,287	882,712
Financial liabilities									
Recognised									
Long term financing	6.92	416,944	416,944	416,944	416,944	208,472	-	2,293,192	-
Liabilities against assets subject to									
finance lease	9.00	4,015	2,765	3,529	-	-	-	10,309	-
Long term murabaha	6.92	38,679	38,679	38,679	38,679	38,679	19,335	212,730	-
Long term loan		-	-	-	-	-	-	7,778,409	7,778,409
Short term running finances	7.43	2,236,649	-	-	-	-	-	2,236,649	-
Trade and other payables	10.40	9,206	-	-	-	-	-	9,206	2,291,789
Mark - up accrued		-	-	-	-	-	-	-	94,348
		2,705,493	458,388	459,152	455,623	455,623	227,807	4,762,086	10,164,546
Unrecognised									
Contingencies		-	-	-	-	-	-	210,349	210,349
Commitments		-	-	-	-	-	-	3,985,268	3,985,268
		-	-	-	-	-	-	4,195,617	4,195,617
		2,705,493	458,388	459,152	455,623	455,623	227,807	4,762,086	14,360,163
									19,122,249

39.2 Risk management

39.2.1 Concentration of 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.

39.2.2 Foreign exchange risk management

The Company is currently not materially exposed to major foreign exchange risk.

39.2.3 Liquidity risk management

The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines.

39.2.4 Interest rate risk management

Financial assets and financial liabilities include balances of Rs 7,048 million (2005: Rs 6,608 million) and Rs 6,588 million (2005: Rs 4,752 thousand) 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. Interest risk on short term borrowings is partly managed through profit on placements.

39.3 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.

40. Related party transactions

The Company is a subsidiary of Fauji Fertilizer Company Limited (FFC) with 50.88 % holding (2005: 50.88%). FFC is sponsored by Fauji Foundation (FF) which holds 17.29 % shares (2005 :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), and Pakistan Maroc Phosphore S.A, 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. Transactions with related parties and the balances outstanding at the year end are given below. The remuneration of Chief Executive, directors and executives is disclosed in note 38 to the financial statements.

Transactions with the holding company

	2006 (Rupees in '000)	2005
Services and material acquired	256,249	216,240
Services and material provided	3,044	2,457
Commission charged to the Company	22,825	21,625
Dividend paid	790,075	902,943
Balance receivable at the year end - unsecured	375,022	267,744

Transactions with associated undertakings due to common directorship

Goods sold	398	1,288
Rent charged to the Company	743	704
Receipt on account of payment made on behalf of associated undertaking	338,438	187,813
Income on payments made on behalf of associated undertaking	-	105
Dividend paid	273,556	449,801
Repayment of principal portion of long term finance	45,715	45,714
Financial charges	19,692	18,402
Balance receivable at the year end - unsecured	1,265	738

Transactions with joint venture company

Expenses incurred on behalf of joint venture company	14,877	6,231
Advance against issue of shares	676,875	375,675

Other related parties

Purchase of raw materials	5,830,625	5,674,401
Contribution to Provident Fund	11,476	9,804
Payment to Gratuity Fund	11,141	7,637
Payment to Workers' Profit Participation Fund	159,386	173,167
Balance payable at the year end - secured	1,126,636	1,077,141
Balance payable at the year end - unsecured	14,973	9,206

41. GENERAL**41.1 Production capacity****Design capacity**

Urea	551,100	551,100
DAP	445,500	445,500

Actual production


Urea	601,044	588,799
DAP	450,400	454,672

(Tonnes)

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 24, 2007.


CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2006

<u>PATTERN OF SHAREHOLDING</u>	<u>NO. OF SHARES</u>
a) <u>ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES</u>	
FAUJI FERTILIZER COMPANY LTD.	475,232,996
FAUJI FOUNDATION	161,501,286
PAKISTAN KUWAIT INVESTMENT CO.(PVT) LTD.	4,080,845
b) <u>NIT AND ICP</u>	
NATIONAL BANK OF PAKISTAN TRUSTEE DEPT.	1,003,500
FIRST NATIONAL BANK MODARABA	40,000
INVESTMENT CORPORATION OF PAKISTAN	500
c) <u>DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN</u>	
Lt Gen Syed Arif Hasan, HI(M), (Retd)	1
Lt Gen Muhammad Akram, HI(M), (Retd)	1
Lt Gen Munir Hafiez, HI(M), (Retd)	1
Mr. Qaiser Javed	1
Mr. Istaqbal Mehdi	1
Brig Arif Rasul Qureshi, SI(M), (Retd)	1
Brig Rahat Khan, SI(M), (Retd)	NIL
Dr. Nadeem Inayat	NIL
Brig Aslam Paunwar Khan, SI(M), (Retd)	1
d) <u>EXECUTIVES</u>	117,446
e) <u>PUBLIC SECTOR COMPANIES AND CORPORATIONS</u>	NIL
f) <u>BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCIAL INSTITUIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS</u>	108,047,878
g) <u>SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST</u>	
FAUJI FERTILIZER COMPANY LTD.	475,232,996
FAUJI FOUNDATION	161,501,286

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2006

<u>CATEGORIES OF SHAREHOLDING</u>	<u>NUMBER OF SHAREHOLDERS</u>	<u>NUMBER OF SHARES HELD</u>	<u>% AGE</u>
1. INDIVIDUAL	16670	142,319,117	15.24
2. INVESTMENT COMPANY	11	4,909,581	0.53
3. INSURANCE COMPANY	25	8,357,040	0.89
4. JOINT STOCK COMPANY	195	517,649,193	55.42
5. FINANCIAL INSTITUTION	62	40,695,541	4.36
6. MODARABA COMPANY	9	537,216	0.06
7. FOREIGN COMPANY	11	354,000	0.04
8. CO-OP. SOCIETY	5	117,304	0.01
9. LEASING COMPANY	5	650,000	0.07
10. CHARITABLE TRUSTS	11	162,600,850	17.40
11. MUTUAL FUNDS	41	52,898,500	5.66
12. OTHERS	33	3,021,658	0.32
Total	17078	934,110,000	100.00

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2006

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
665	1	100	37,639
4,764	101	500	2,207,528
3,506	501	1,000	2,937,774
4590	1,001	5,000	13,138,553
1415	5,001	10,000	11,294,696
556	10,001	15,000	7,139,595
312	15,001	20,000	5,755,970
220	20,001	25,000	5,128,612
153	25,001	30,000	4,357,644
100	30,001	35,000	3,319,671
72	35,001	40,000	2,780,124
53	40,001	45,000	2,274,634
108	45,001	50,000	5,307,506
36	50,001	55,000	1,882,553
46	55,001	60,000	2,675,969
20	60,001	65,000	1,267,164
19	65,001	70,000	1,297,741
30	70,001	75,000	2,211,877
14	75,001	80,000	1,098,589
10	80,001	85,000	836,433
10	85,001	90,000	891,280
8	90,001	95,000	744,304
50	95,001	100,000	4,983,649
13	100,001	105,000	1,336,446
16	105,001	110,000	1,735,727
14	110,001	115,000	1,589,380
11	115,001	120,000	1,298,044
7	120,001	125,000	869,088
6	125,001	130,000	767,410
4	130,001	135,000	528,937
4	135,001	140,000	553,830
6	140,001	145,000	856,514
14	145,001	150,000	2,096,718
5	150,001	155,000	760,097
3	155,001	160,000	475,500
3	160,001	165,000	486,078
3	165,001	170,000	508,212
6	170,001	175,000	1,038,800
2	180,001	185,000	365,230
5	190,001	195,000	967,737
18	195,001	200,000	3,596,500
3	200,001	205,000	605,999
4	210,001	215,000	853,424
1	215,001	220,000	215,500

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL SHARES HELD
	FROM	TO	
1	225,001	230,000	229,600
2	230,001	235,000	465,100
3	235,001	240,000	712,000
1	240,001	245,000	242,500
8	245,001	250,000	1,997,500
1	250,001	255,000	250,500
2	255,001	260,000	517,000
2	260,001	265,000	527,500
2	265,001	270,000	539,500
1	270,001	275,000	271,500
2	275,001	280,000	553,760
1	280,001	285,000	282,500
3	285,001	290,000	868,000
3	295,001	300,000	899,500
1	300,001	305,000	305,000
1	305,001	310,000	308,000
1	310,001	315,000	312,000
1	315,001	320,000	317,440
2	320,001	325,000	648,500
1	325,001	330,000	328,500
1	330,001	335,000	330,380
4	335,001	340,000	1,349,044
2	345,001	350,000	700,000
3	350,001	355,000	1,065,000
1	365,001	370,000	368,500
1	390,001	395,000	392,000
3	395,001	400,000	1,200,000
1	400,001	405,000	401,080
1	410,001	415,000	412,000
2	420,001	425,000	845,500
2	425,001	430,000	856,500
2	430,001	435,000	866,078
3	445,001	450,000	1,348,000
3	470,001	475,000	1,417,700
1	480,001	485,000	480,500
1	490,001	495,000	495,000
3	495,001	500,000	1,497,000
2	500,001	505,000	1,006,059
1	505,001	510,000	510,000
1	510,001	515,000	514,000
2	520,001	525,000	1,044,500
1	530,001	535,000	532,247
1	540,001	545,000	543,500
1	545,001	550,000	550,000

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
1	550,001	555,000	555,000
1	565,001	570,000	570,000
1	585,001	590,000	590,000
2	595,001	600,000	1,195,500
1	600,001	605,000	604,500
1	655,001	660,000	659,500
1	665,001	670,000	670,000
1	670,001	675,000	675,000
1	675,001	680,000	680,000
1	695,001	700,000	700,000
1	715,001	720,000	718,500
1	720,001	725,000	725,000
1	735,001	740,000	739,500
3	795,001	800,000	2,400,000
1	805,001	810,000	808,000
1	815,001	820,000	818,000
1	890,001	895,000	894,500
2	895,001	900,000	1,800,000
1	910,001	915,000	910,780
1	920,001	925,000	925,000
1	925,001	930,000	926,023
1	950,001	955,000	955,000
6	995,001	1,000,000	5,996,000
1	1,005,001	1,010,000	1,009,059
1	1,035,001	1,040,000	1,036,000
1	1,040,001	1,045,000	1,041,136
1	1,055,001	1,060,000	1,058,000
1	1,065,001	1,070,000	1,066,600
1	1,070,001	1,075,000	1,075,000
2	1,095,001	1,100,000	2,200,000
2	1,105,001	1,110,000	2,211,557
1	1,135,001	1,140,000	1,136,500
1	1,180,001	1,185,000	1,183,900
1	1,195,001	1,200,000	1,200,000
1	1,215,001	1,220,000	1,216,500
1	1,290,001	1,295,000	1,293,000
2	1,295,001	1,300,000	2,600,000
1	1,405,001	1,410,000	1,409,500
1	1,445,001	1,450,000	1,450,000
1	1,460,001	1,465,000	1,460,900
1	1,515,001	1,520,000	1,517,500
1	1,545,001	1,550,000	1,550,000
1	1,595,001	1,600,000	1,600,000
1	1,610,001	1,615,000	1,611,876

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM	TO	TOTAL SHARES HELD
1	1,640,001	1,645,000	1,641,000
1	1,650,001	1,655,000	1,655,000
1	1,685,001	1,690,000	1,688,500
1	1,695,001	1,700,000	1,700,000
1	1,705,001	1,710,000	1,705,500
1	1,755,001	1,760,000	1,759,500
1	1,785,001	1,790,000	1,786,500
1	1,865,001	1,870,000	1,869,000
1	1,900,001	1,905,000	1,900,070
2	1,995,001	2,000,000	4,000,000
1	2,170,001	2,175,000	2,175,000
1	2,200,001	2,205,000	2,204,316
1	2,345,001	2,350,000	2,347,200
2	2,445,001	2,450,000	4,895,500
1	2,455,001	2,460,000	2,459,866
1	2,505,001	2,510,000	2,506,000
1	2,525,001	2,530,000	2,529,000
1	2,795,001	2,800,000	2,797,000
1	2,955,001	2,960,000	2,956,000
1	3,060,001	3,065,000	3,062,500
1	3,435,001	3,440,000	3,438,000
1	3,450,001	3,455,000	3,454,000
1	3,495,001	3,500,000	3,500,000
1	3,540,001	3,545,000	3,540,827
1	4,080,001	4,085,000	4,080,845
1	4,505,001	4,510,000	4,507,700
1	5,220,001	5,225,000	5,223,500
1	5,620,001	5,625,000	5,621,500
1	5,920,001	5,925,000	5,921,000
1	7,130,001	7,135,000	7,132,500
1	13,500,001	13,505,000	13,500,399
1	161,500,001	161,505,000	161,501,286
1	475,230,001	475,235,000	475,232,996
17,078			934,110,000

FORM OF PROXY

13TH 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 13th Annual General meeting of the Company to be held on
February 27, 2007 and/or any adjournment thereof.

In witness thereof I/We have signed and set my/our seal thereon this day of _____
2007 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, 73-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
73-Harley Street,
Rawalpindi

Fold Here

Fold Here

Fold Here

Fold Here

Fold Here

FFBL



 **FFBL** FAUJI FERTILIZER BIN QASIM LIMITED

73-Harley Street, Rawalpindi - Pakistan. Tel: 92+051-9272196-97