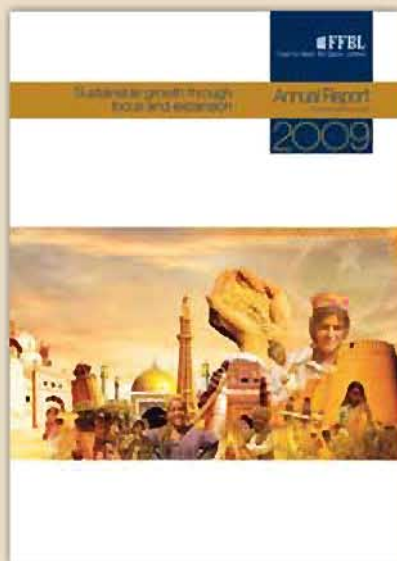


Sustainable growth through
focus and expansion

Annual Report
For the Year Ended Dec 31, 2009

2009





About the Title

Sustainable growth through focus and expansion

For many millennia agriculture has thrived in the Indus valley, thus making it one of the oldest civilizations and a source of culture and refinement. Each passing season taught new lessons to the inhabitants of this land, making each harvest more bountiful than the last. This process continues to this day.

Pakistan came into being with an agricultural legacy. FFBL takes great pride in the fact that it has contributed to the enhancement of national agriculture. We are enabling the farming community to reap greater rewards and play a constructive role in accelerating the economy of the country. Human development through better education, infrastructure and environmental protection measures for a healthier ecosystem, are a few other areas that FFBL has focused on.

Our efforts towards building a robust future on the foundations of a solid past have been very successful so far. We intend to maintain this impetus for growth for the sake of our people, country and our stakeholders.

The title and inner pages of this report reflect a slice of proud agricultural & cultural legacy of Pakistan's different areas. It aims at reiterating our sense of profound attachment & affection, and above all, our total commitment to serve our country – with distinction.

Scaling new heights



Highest-ever yearly production

DAP: 540,096 Tonnes

Highest-ever earnings after tax

Rs 3.8 Billion

Highest-ever dividend declared

Rs 3.7 Billion

Contribution to the National Exchequer

Rs 2.8 Billion



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Company Information

Directors	<p>Lt Gen Hamid Rab Nawaz, HI(M), (Retired) Chairman Lt Gen Anis Ahmed Abbasi, HI(M), (Retired) Chief Executive & Managing Director Lt Gen Malik Arif Hayat, HI(M), (Retired) Mr Qaiser Javed Brig Arif Rasul Qureshi, SI(M), (Retired) Brig Rahat Khan, SI(M), (Retired) Dr Nadeem Inayat Brig Liaqat Ali, TI(M), (Retired) Brig Jawaid Rashid Dar SI(M), (Retired)</p>
Company Secretary	Brig Javed Nasir Khan, SI(M), (Retired)
CFO	Syed Aamir Ahsan
Registered Office	<p>73-Harley Street, Rawalpindi, Pakistan Tel: (051) 9272196-97 Fax: (051) 9272198-99 E-mail: secretary@ffbl.com Website: http://www.ffbl.com</p>
Plantsite	Bin Qasim, Karachi, Pakistan
Auditors	<p>KPMG Taseer Hadi & Co Chartered Accountants, 6th Floor, State Life Building, Jinnah Avenue, Islamabad.</p>
Legal Advisors	<p>Orr Dignam & Co Advocates, 3-A, Street 32, Sector F-8/1, Islamabad, Pakistan</p>
Shares Registrar	<p>M/s Corplink (Pvt) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore. Tel: (042) 5839182, 5887262 Fax: (042) 5869037</p>



Vision & Mission

Vision

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

Mission

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



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



Lt Gen Anis Ahmed Abbasi
HI(M), (Retired) Chief Executive & Managing Director



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



Mr Qaiser Javed
Director



Brig Arif Rasul Qureshi
SI(M), (Retired) Director



Dr Nadeem Inayat
Director

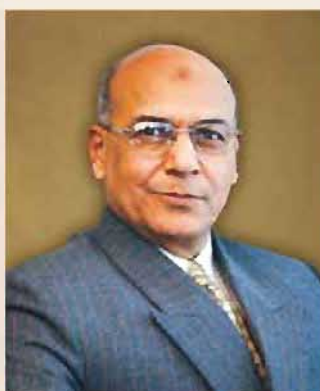


Brig Liaqat Ali
TI(M), (Retired) Director



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

Board of Directors



Brig Jawaid Rashid Dar
SI(M) (Retired) Director



Brig Javed Nasir Khan
SI(M), (Retired) Company Secretary

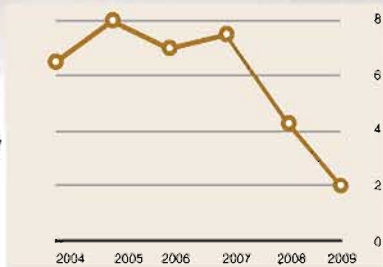


Syed Aamir Ahsan
CFO

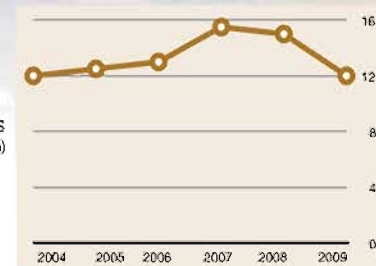
About Pakistan



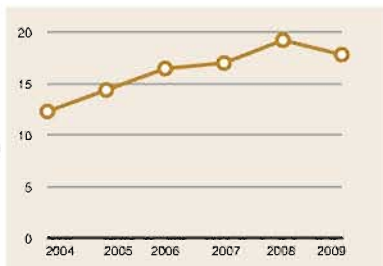
GDP (Percentage)



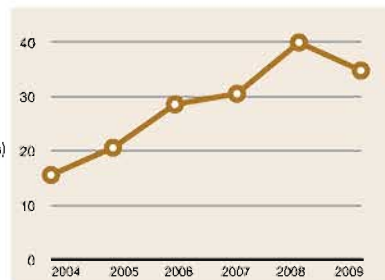
Foreign Exchange Reserves (US\$ billion)



Exports (US\$ billion)



Imports (US\$ billion)



Area Total	796,095 Sq. km
Population	165 million (1998 census)
Annual per capita income	US \$1085
GDP	2.1% (09), 5.80% (07-08), 7.00% (06-07), 6.60% (05-06), 8.40% (04-05)
Imports	Industrial equipment, chemicals, vehicles, steel, iron ore, petroleum, edible oil, tea
Exports	Cotton, textile goods, rice, leather items, carpets, sports goods, fish and fruit
Foreign Exchange Reserves	US \$ 15.203 Billion (Jan 2010)
Literacy rate	53%
Major Crops	Cotton, wheat, rice and sugarcane
Agricultural Growth Rate	4.7 % (during 2009)
Total cropped area	25.01 million hectares

Industry	Textiles, cement, fertiliser, steel, sugar, electric, shipbuilding
Energy	Electricity (hydel, thermal, nuclear) oil, coal and LPG
Employment	
Total Labour force	46.84 million
Employed Labour Force	43.22 million
Agriculture Sector	18.60 million
Manufacturing & Mining	5.96 million
Construction	2.52 million
Trade	6.39 million
Transport	2.48 million
Others	6.98 million

FFBL - Backbone of Pakistan's Economy



Operating Highlights

KEY INDICATORS		2004	2005	2006	2007	2008	2009
Operating							
Gross profit margin	%	28.44	32.01	31.85	39.39	30.67	26.32
Pre tax margin	%	24.80	27.46	25.54	31.85	16.42	15.82
After tax margin	%	15.97	17.18	16.62	20.75	10.81	10.30
Performance							
Return on total assets *	%	6.25	8.11	7.19	7.40	5.37	10.45
Total assets turnover	Times	0.52	0.58	0.53	0.42	0.57	1.01
Fixed assets turnover	Times	0.79	0.98	0.99	0.74	1.69	2.36
Inventory turnover	Days	10	24	33	34	61	47
Return on paid up share capital *	%	14.73	21.35	21.30	23.02	26.87	40.51
Leverage							
Debt Equity Ratio	Times	59:41	57:43	56:44	56:44	49:51	50:50
Current Ratio	Times	1.53	1.46	1.34	1.17	1.09	1.10
Quick Ratio	Times	1.36	1.21	1.15	0.97	0.82	0.92
Valuation							
Earnings per share	Rs.	1.98	2.62	2.62	2.72	3.10	4.05
Earning growth	%	51.15	32.32	-	3.82	14.16	30.51
Break up value	Rs.	7.65	8.27	9.14	9.11	11.23	11.41
Dividend per share - Interim	Rs.	1.00	2.00	1.25	1.50	0.60	1.75

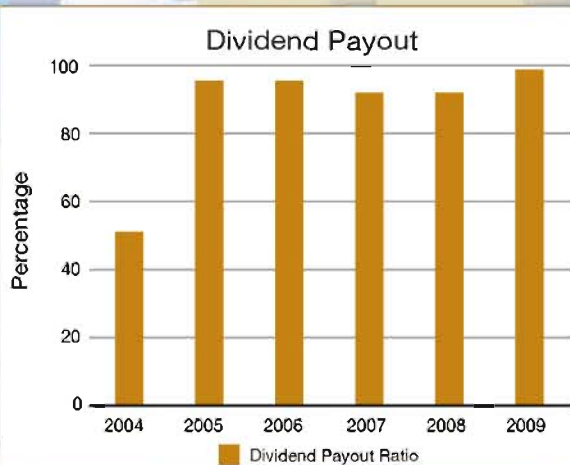
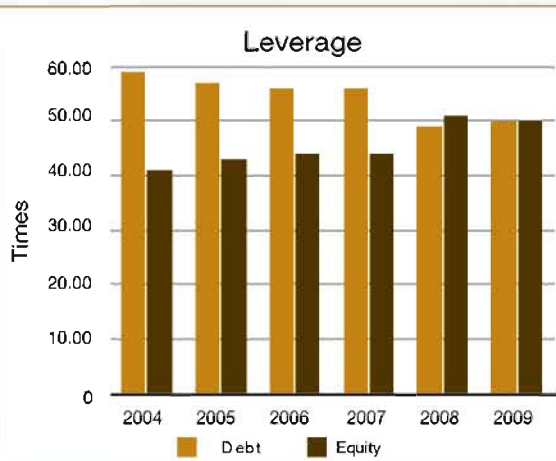
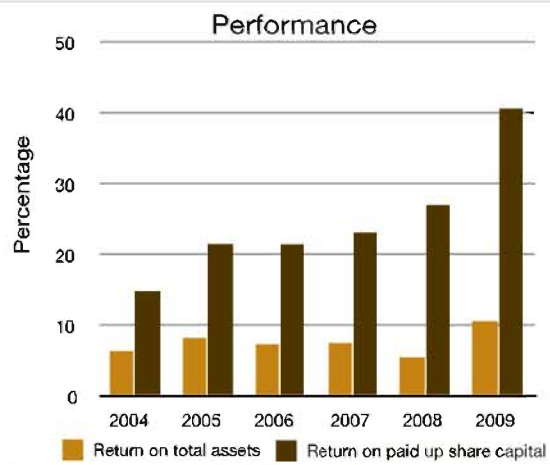
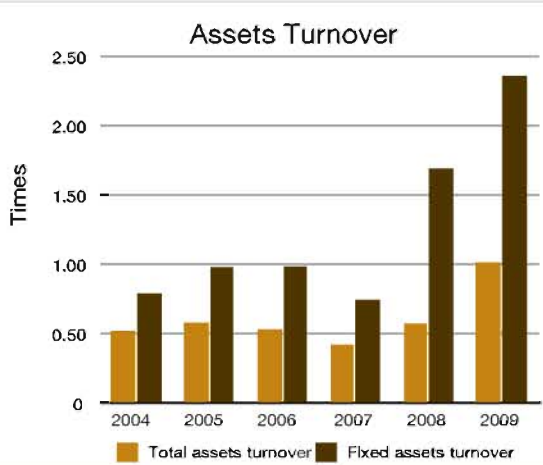
* Return represents profit after taxation, excluding net of tax GOP compensation till 31 Dec 2008.

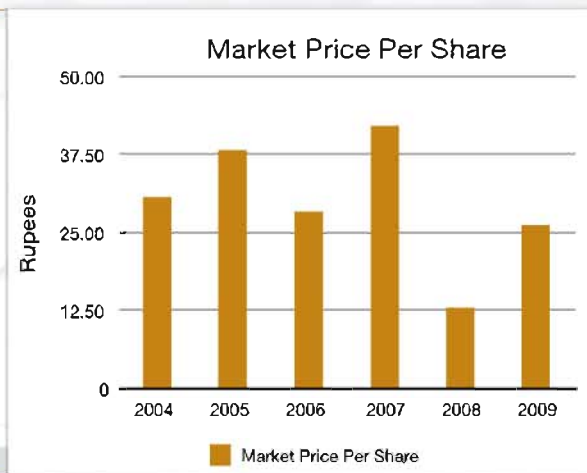
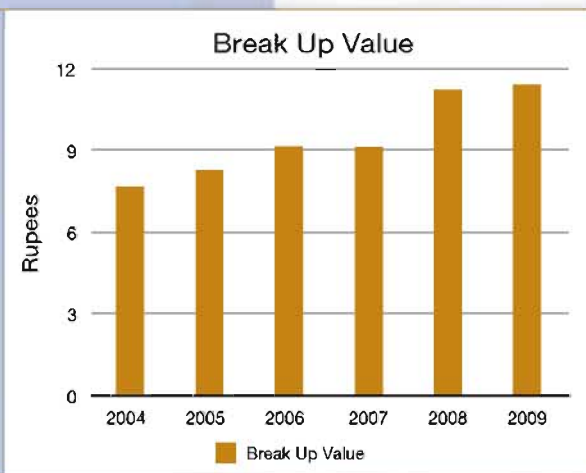
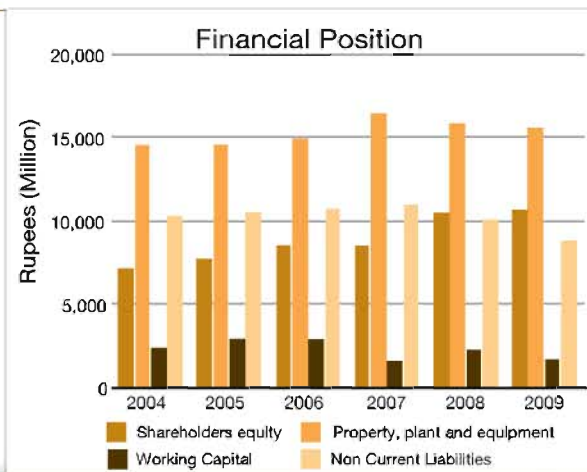
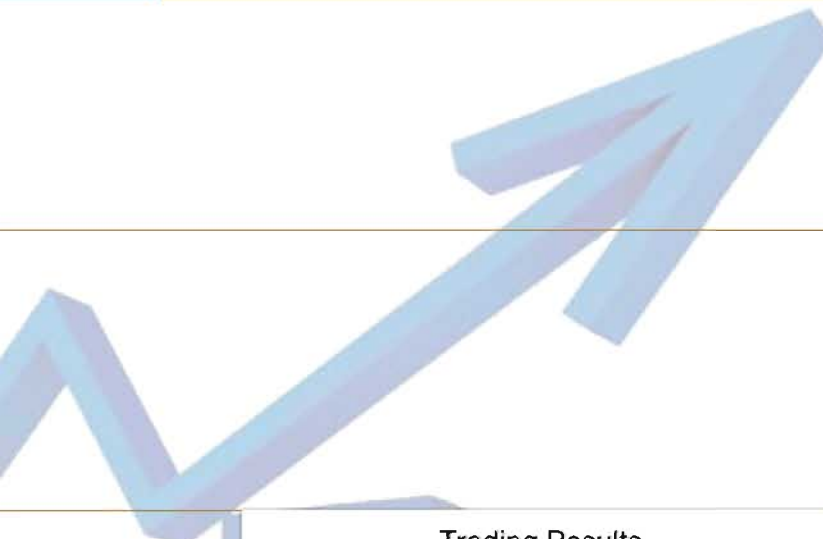
KEY INDICATORS	2004	2005	2006	2007	2008	2009	
Valuation							
Dividend per share - Proposed Final **		.50	1.25	1.00	2.25	2.25	
Dividend payout ratio ***	%	51.01	95.42	95.42	91.90	91.94	98.73
Price earning ratio	Times	15.45	14.56	10.81	15.46	4.16	6.45
Market price per share	Rs.	30.60	38.15	28.30	42.05	12.90	26.13
Market capitalisation	Rs.(M)	28,584	35,636	26,435	39,279	12,050	24,408
HISTORICAL TRENDS							
Trading Results		Rupees in million					
Sales - net		11,462	14,255	14,707	12,243	26,821	36,725
Gross profit / (loss)		3,261	4,563	4,684	4,823	8,226	9,665
Profit / (loss) before tax		2,848	3,915	3,757	3,900	4,405	5,808
Profit / (loss) for the period		1,831	2,449	2,445	2,540	2,900	3,784
Financial Position							
Shareholders' equity		7,147	7,728	8,538	8,509	10,486	10,660
Property , plant and equipment		14,539	14,563	14,930	16,458	15,847	15,577
Working capital		2,382	2,922	2,893	1,591	2,273	1,697
Non current liabilities		10,296	10,508	10,714	10,967	10,066	8,818

** Post balance sheet event.

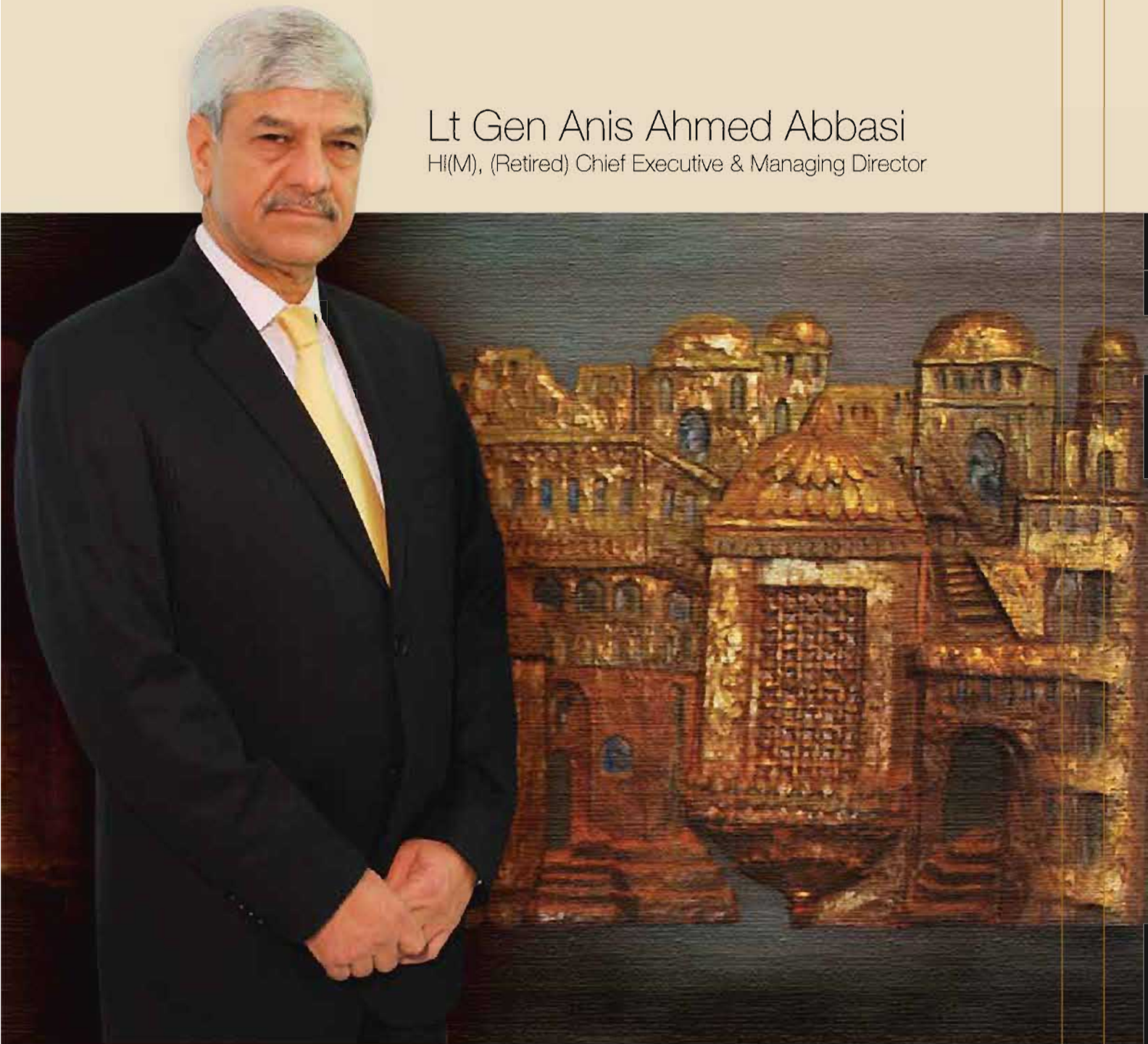
*** Including proposed final dividend.

Financial Highlights





Lt Gen Anis Ahmed Abbasi
HI(M), (Retired) Chief Executive & Managing Director



A word from our Chief Executive

The year 2009 was full of challenges both globally and locally. The global recession that affected agriculture and fertilizer markets all over the world seems over, thus accruing a gradual improvement in the economy. Despite unfavorable economic conditions, political instability and deteriorated law and order situation FFBL has gained a remarkable success in year 2009 achieving best to-date financial results and pay-out for our esteemed shareholders.

I am happy to report that our strong performance keeps us on course to achieve another year of record results. This has been in the face of several challenges encountered and despite all odds we have managed to maintain our growth momentum and scaled new heights. This is a testament to the organization's hard work, dedication and winning culture. Current Company initiatives and an enduring focus on realizing our strategic plan to fruition, validate the Company's continued efforts and our unwavering dedication to achieving our goals in 2009 and beyond.

Our Company has established clear long term objectives, which are essential to map out our path in the short term to help us set priorities. The required efforts to maintain our competitiveness have entailed consistency, flexibility and innovation by our dedicated teams in order to improve all our internal decision and resources markedly, which include improvements in Human Resource Department, Training and Developments and Quality Assurance Standards.

Our efficient plant, competent workforce and culture of working as a team together will help to strengthen our bonds to all stakeholders.

I would like to thank the members of the Board for their commitment, time and effort in supporting the strategy review and development process during the year. The strength of the Company is in the caliber of the people who support it and I have no doubts that we have a team of exceptional capability in place to actualize our commitments to all stakeholders.

Last but not the least, our efforts are tuned towards our stakeholders interests, we aim at optimizing satisfaction for all customers, shareholders, employees and the communities we deal in.

May Allah bestow on us the strength to remain on the path of success, Ameen.

Notice of Annual General Meeting

Notice is hereby given that the 16th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held on 16 March 2010 at Pearl Continental Hotel, Rawalpindi, at 1100 hrs to transact the following business:

Ordinary Business

1. To confirm minutes of Extraordinary General Meeting held on 16 Feb 2010.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and the Auditors' Reports for the year ended 31 Dec 2009.
3. To appoint Auditor(s) of the Company for the year 2010 and fix their remuneration.
4. To approve payment of final dividend for the year ended 31 Dec 2009 as recommended by the Board of Directors.
5. Any other business with the permission of the Chairman.

Special Business

To consider and, if thought fit, pass, with or without modification, the following resolution, under Section 208 of the Companies Ordinance, 1984, as a special resolution for the purpose of approving investment in Star Power Generation Limited (SPGL) (an amount of upto Rs. 2 Billion - Rupees Two Billion only), Beacon Energy Limited (BEL) (an amount of upto Rs. 1 Billion - Rupees One Billion only), Green Power Private Limited (GPPL) (an amount of upto Rs. 1 Billion - Rupees One Billion only), and Fauji Wind Power Limited (FWPL) (proposed name) (an amount of upto Rs. 1 Billion - Rupees One Billion only):

"RESOLVED THAT the Company invest in Star Power Generation Limited (SPGL) (an amount of upto Rs. 2 Billion - Rupees Two Billion only), Beacon Energy Limited (BEL) (an amount of upto Rs. 1 Billion - Rupees One Billion only), Green Power Private Limited (GPPL) (an amount of upto Rs. 1 Billion - Rupees One Billion only), and Fauji Wind Power Limited (FWPL) (proposed name) (an amount of upto Rs. 1 Billion - Rupees One Billion 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 authorized 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

Brig Javed Nasir Khan (Retd)
Company Secretary

Rawalpindi
February 22, 2010.

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

i. Name of investee company or associated undertaking, nature, amount and extent of investment:

Name	Equity Investment of upto
Star Power Generation Limited (SPGL)	Rupees Two (2.0) Billion only
Beacon Energy Limited (BEL)	Rupees One (1.0) Billion only
Green Power Private Limited (GPPL)	Rupees One (1.0) Billion only
Fauji Wind Power Limited (FWPL)	Rupees One (1.0) Billion only
Total	Rupees Five (5.0) Billion only

ii. **Average market price of the shares intended to be purchased during preceding six months in case of listed companies:** Not applicable, these companies are not listed.

iii. **Break-up value of shares intended to be purchased on the basis of last published financial statements:** Not applicable, these companies are not listed and their financial statements have not been published.

iv. **Price at which shares will be purchased:** Direct equity investment will be made based on par value of Rs. 10 per share.

v. **Earning per share of investee company in last three years:** Not applicable, these companies have not commenced commercial operations.

vi. **Source of funds from where shares will be purchased:** Internal cash generation and short/long term borrowing.

vii. **Period for which investment will be made:** Indefinite.

viii. **Purpose of investment:** Long term investment aimed at achieving business diversification. The objective of investment in Thermal (SPGL) and Alternate (BEL, GPPL, FWPL) Energy generation projects is to benefit from various incentives offered to these sectors by the Government of Pakistan.

ix. **Benefits likely to accrue to the company and the shareholders from the proposed investment:** Diversification of business helps sustain business profitability and add to shareholders' value; hence new sources of investment / income must be explored. The Directors, therefore, recommend that the Company invest in power generation business.

The proposed projects are considered to be long term stable investments that offer a steady and attractive revenue stream to the Company and its shareholders. Given the aforementioned advantages, the Directors consider that it would be in the best interests of the Company and its shareholders to invest an amount of up to Rs. 5.0 Billion (Rupees Five Billion only) in the proposed projects.

Interest of directors and their relatives in the investee company: The directors and their relatives have no personal interest in the proposed investments.

NOTES:-

- Share transfer books of the Company will remain closed from 13 March 2010 to 19 March 2010 (both days inclusive).
- A member of the Company entitled to attend and vote at AGM may appoint a person/representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's Registered Office, 73-Harley Street, Rawalpindi, duly stamped and signed not later than 48 hours before the time of holding meeting. A member may not appoint more than one proxy. A copy of shareholder's attested CNIC must be attached with the proxy form.
- The CDC account holders /sub account holders are requested to bring with them their Computerized National ID Cards alongwith participant(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 signature be produced at the time of meeting.
- Members are requested to promptly notify any change in their addresses.
- For any other information, please contact at:-
Ph # 051 9272196-7 Fax # 051 9272198-9

Directors' Report

The Directors are pleased to present 16th Annual Report along with audited Financial Statements of the Company and the Auditors' report thereon for the year ended 31 Dec 2009, with an achievement of the best results to-date.

Pakistan Economy and its Outlook

Pakistan's economy grew by 2 percent in the last financial year (2008-09) with major contribution of agriculture sector of 4.7 percent, as compared to 1.1 percent witnessed last year. Though the overall growth is at slowest pace in eight years, after an average annual pace of 6.8 percent in the previous five years, but looks satisfying in the backdrop of global recession where positive growth is a rare exception.

Pakistan economy faced many challenges during 2009. The government was required to adopt tight fiscal and monetary policies in the form of high interest rates contrary to global trends, increase in taxes and reducing subsidies. Deteriorating law and order situation and severe power shortages not only affected local investors and businessmen but also made foreign investors cautious in bringing additional capital. The fight against terrorism itself is quite an expensive venture with no or very little international community support.

Growth of about 3 percent is expected in 2010 provided pledges by the Friends of Democratic Pakistan (FoDP) are materialized and law and order situation is improved to restore the confidence of both local and foreign investors.



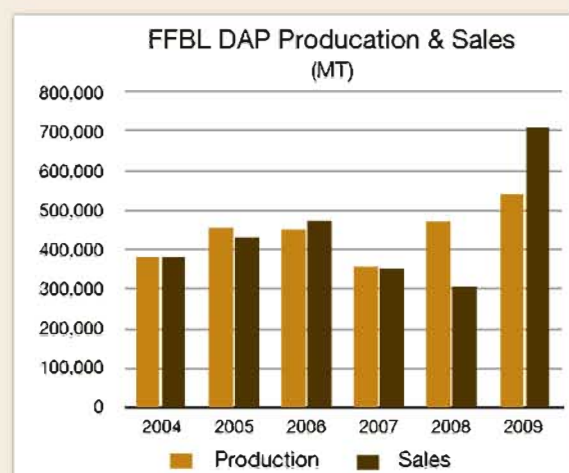
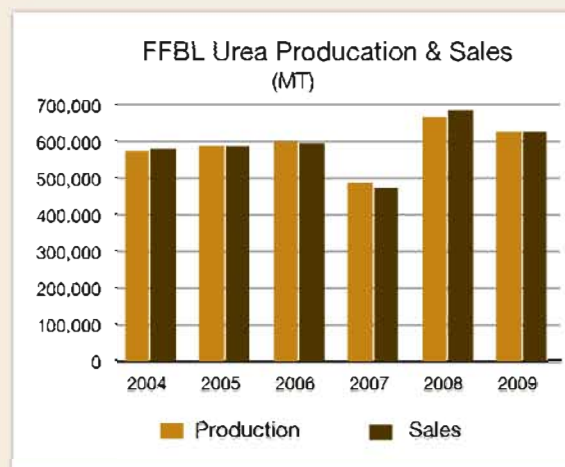
Operational Highlights

With DAP achieving a record yearly production of 540 thousand MT, the overall performance of all plants remained satisfactory. Ammonia and Urea production during the year were lower than last year by 1% and 6% respectively, while DAP production remained better than last year by 15%. The productions, however, were slightly lower than targets mainly due to unplanned gas curtailment by SSGC and shutdown of DAP plant during first quarter 2009 owing to high DAP inventories, high price of phosphoric acid and low DAP price.

Marketing Highlights

International Agriculture & Fertilizer Situation

The global recession, which had affected the agriculture & fertilizer markets, seems over, and the global economy appears to be expanding again, driven by the robust growth of Asian emerging economies. The pace of recovery is slow and the global economic activity is still far below pre-crisis levels. During 2009, unfavorable weather conditions persisted in some of the major agricultural regions these were: poor south-west monsoon in India, persistent drought in Argentina, very wet spring and autumn in the United States and dry conditions in the Black Sea area. In the rest of the world, conditions were average to good. Global cereal and oilseed production in 2009 is expected to equal the 2008 output and the International prices of all cereals and oilseeds stabilized during 2009. The impact of global recession reduced the use of nitrogen in the industrial sector worldwide, which in turn increased the supply of Urea, and other nitrogenous products for agriculture use. More supply and less demand caused the prices of Urea & DAP to drop in the International market in 2009 as drastically as they had risen in 2008. International fertilizer prices over



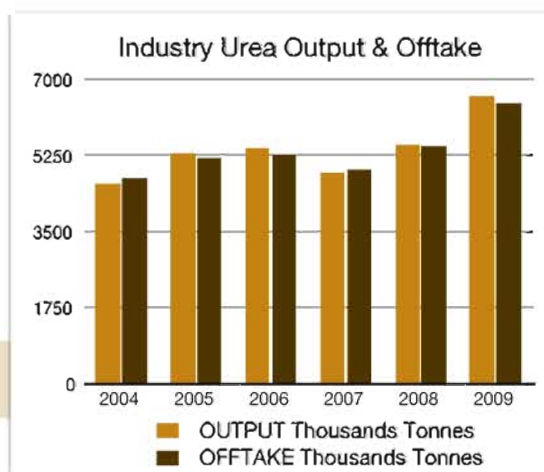
Directors' Report

the past three years have followed a similar trend to international grain prices. Since fertilizer & agricultural commodity prices in 2009, were fast evolving and hardly predictable therefore, many farmers world over reduced their fertilizer application on soils where medium to high levels of nutrients were available. World over the Phosphate (P) and Potassium (K) fertilizer application rates were also well below crop requirements in 2009. Although prices of DAP and Urea reduced through most of 2009, but the fundamentals for the gains in prices have not changed and a rebound in the fertilizer prices can come in 2010. This process has already started. Exporters are driving up the prices of DAP at all loading points. There is considerable DAP demand in US and European markets and it seems set to intensify further. Inventories in these areas have depleted and the season is approaching so buyers need to restock the products which is pushing the DAP/ Phosphate demand up. Demand from Latin America, India, Pakistan and the South Asia is also very strong and high. The supply side is presently weaker therefore, DAP price outlook in the international market shows all the signs of further rise.

Domestic Fertilizer Market Situation

The Urea industry of Pakistan has witnessed a robust growth of approximately 18% as the market has grown from 5.5 million tons in 2008 to 6.5 million tons in 2009. Production of Urea increased from 4.9 million tons in 2008 to 5.0 million tons in 2009, registering a growth of 1%. The reduction of Urea prices in the international market reduced the subsidy impact on the government expenditure and therefore, substantially high quantity of around 1.6 million tons was imported in the country. This is the highest ever quantity of Urea imported in the country. In 2009, GOP distributed imported Urea through National Fertilizer Corporation (NFC) unlike previous years when it was allocated to all the Urea producers based on their production shares. Better availability, timely announcement of support prices and cultivation of BT Cotton increased the demand of Urea in the domestic market. As per GOP, the decision to allocate imported Urea to NFC was to overcome shortages, discourage hoarding and avoid exploitation of farmers. GOP under its supervision through NFC made direct sales to the farmers.

However, since NFC lacked necessary infrastructure and well spread dealer network, this led widespread shortages in the country despite having sufficient imported quantity available. Urea availability throughout the year 2009 was much better as compared to 2008. Nevertheless, locally produced branded Urea was sold at premium over the company suggested prices almost throughout the year. Urea inventory at end December 2009 is estimated at 241 thousand tons, as compared to 140 thousand tons at end December 2008.



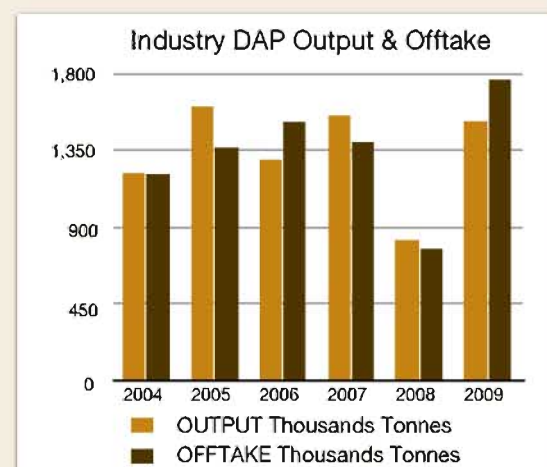
High opening inventory of 2010 together with the commencement of production from two new fertilizer plants is likely to eliminate the requirement of Urea imports in 2010.

All time high Industry DAP sales at around 1.8 million tons are estimated in the domestic market during 2009, registering a growth of 128% over the last year. Throughout 2009, DAP prices in the international market remained low and consequently heavy quantities of DAP were imported in the country. DAP imports were 0.98 million tons during 2009 against 0.35 million tons imports of 2008. International DAP prices ex-US Gulf

during 2009 were in the range of US\$ 270-382 per ton fob as against DAP prices as high as US\$ 1,230 per ton fob ex- US Gulf during 2008. High DAP sales were mainly because of lower domestic prices in 2009 and factors such as application of DAP in lower quantities during 2008, and anticipation of DAP price recovery in the international market. Because of this anticipation much of the DAP was purchased by the dealers in advance and dealers kept replenishing their stocks, keeping a certain quantity with them at all times. Private DAP importers on the other hand kept importing DAP and due to large imports and heavy stocks with them they continuously offloaded stocks available with them to dealers at attractive rates and at times with credit facility. The DAP stocks in the country at the beginning of the year was 339 thousand tons which was 23% higher than 276 thousand tons opening inventory of 2008. During 2009, 540 thousand tons of DAP was produced in the country, which is 15% higher than 470 thousand tons production during 2008. Industry DAP inventory at the end of 2009 was 92 thousand tons, 73% lower as compared to 339 thousand tons closing inventory at end of 2008. Domestic DAP prices could rise in the future keeping in view the increasing trend of DAP prices in the international market and increase in input costs.

FFBL Sales Performance

- Sona Urea (G) sales during 2009 were 627 thousand tons. The entire production of Sona Urea (G) was sold during the year.
- Sona DAP sales of 709 thousand tons during 2009 were the highest ever annual sales. The entire production of Sona DAP along with opening inventory of 172 thousand tons was sold during the year.
- FFBL Urea market share during 2009 remained about 9.7%.
- FFBL DAP market share during 2009 remained about 40%.
- Highest ever daily shipment of 7,105 metric tons ex-FFBL, was made on Oct 28, 2009, comprising 3,440 metric tons of Sona Urea (G) and 3,665 metric tons of Sona DAP. This surpassed the previous record of 6,160 metric tons.



Self-reliance in fertilizers will lead to self-reliance in agriculture



*Growth is never by mere chance;
it is the result of forces working together*



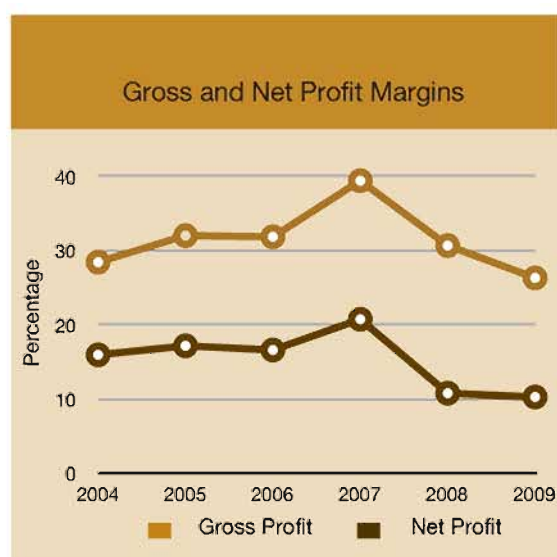


Directors' Report

Financial Highlights

The summary of key financial results amply depicts the Company's to-date best performance:

	2009 Rs (millions)	2008 Rs (millions)
Turnover	36,725	26,821
Gross profit	9,665	8,226
Profit before tax	5,808	4,405
Net profit after tax	3,784	2,900
Earnings per share - EPS (Rs)	4.05	3.10



*Industrious worker brings
extra-ordinary triumph*



Directors' Report

Fiscal Review

Company's profitability witnessed record level with aggregate sales revenue of Rs 36.7 billion, demonstrating a growth of startling 37% over last year. The enhancement in revenue is attributable primarily to improved DAP sales volume. DAP and Urea sales accounted for 76% and 24% of total revenue respectively as compared to 70% and 30% in 2008. The Gross profit remained at Rs 9.67 billion with GP margin of 26.3%. The GP margin is less than margin of 30.67% of 2008 mainly due to completion of feed gas subsidy in Year 2008.

Total finance cost was recorded at Rs 1,460 million, which was lower by 48% compared to last year owing to substantially reduced currency fluctuation, and significantly reduced utilization of borrowed funds. Other income of Rs 683 million was mainly on account of income on bank deposits and mutual fund amounting Rs 960 million netting off with share of loss of PMP amounting Rs 336 million for the 12 months period Oct 2008 – Sep 2009.

Profit before tax was recorded at Rs 5,808 million, higher by 32% compared to last year. After tax net profit, arrived at Rs 3,784 million at 31 Dec 2009, higher by 31% as compared to last year profit. The Company's earnings per share (EPS), therefore, reached Rs 4.05, from an EPS of Rs 3.1 of last year.

Cash flow Management

With an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis, repayments of all long term and short term loans dues have been duly accounted for. Working capital requirements have been planned to be financed through internal cash generations and short term borrowings from external sources where necessary.

Capital Management

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



Risk Mitigation

We manage a variety of risks including liquidity, credit, market and other risks.

Liquidity Risk

Liquidity risk is the risk of being unable to accommodate liability maturities, fund asset growth and meet contractual obligations through access to funding at reasonable market rates. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines.

Credit risk

Credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations. All financial assets of the Company, except cash in hand, are subject to credit risk. The Company believes that it is not exposed to major concentration of credit risk. Exposure is managed through application of credit limits to its customers secured by bank guarantees and diversification of investment portfolio placed with 'A' ranked banks and financial institutions.

Market Risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to market risk in the normal course of its business operations.

Best Corporate Practices

All periodic financial statements of the Company and consolidated financial statements of the Company were circulated to the Directors duly endorsed by the Chief Executive Officer and the Chief Financial Officer for approval before publication. Quarterly un-audited financial statements along with Directors' Reviews were published and circulated to the shareholders and regulators within one month. Half yearly financial statements reviewed by the Auditors were circulated within two months of the end of the period.

Annual financial statements including consolidated financial statements, Directors' Report in addition to Auditors' Reports and other statutory statements and information are being circulated for consideration and approval by the shareholders, within two months from the close of the financial year.

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



Directors' Report

Financial Statements

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

Accounting Policies

- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Proper books of accounts have been maintained.
- International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements.
- 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.

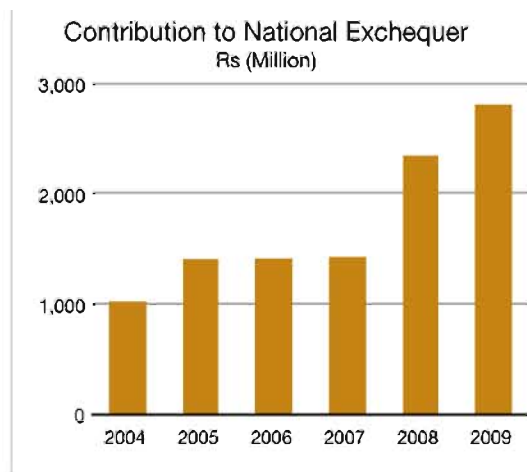
Key Financial Data

Key operating and financial data of the last six years is attached to the Annual Report.

Contribution to National Exchequer and Value Addition

During the year, the Company has contributed an amount of Rs 2,807 million, as against Rs 2,314 million in 2008, towards the National Exchequer on account of Government levies, taxes and import duties, etc.

Value addition in terms of foreign exchange savings worked out to US \$ 250 million through import substitution by manufacturing 627 thousand MT of Urea and 540 thousand MT of DAP during 2009. Contribution to the economy included Rs 3,485 million in the form of Shareholders' returns through cash dividends, Rs 1,319 million on account of payments to providers of capital in the form of mark-up and interest, while employees' remuneration & benefits stood at Rs 1,690 million.



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 the relevant accounting standards.

Dividend

Based on the performance of the company, the Board is pleased to propose a final dividend of Rs 2.25 per share in respect of the financial year ended Dec 31, 2009. This final dividend will be subject to the approval of shareholders in their meeting scheduled on 16 Mar 2010. Moreover, two interim dividends were also paid during the year.

Corporate Governance

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

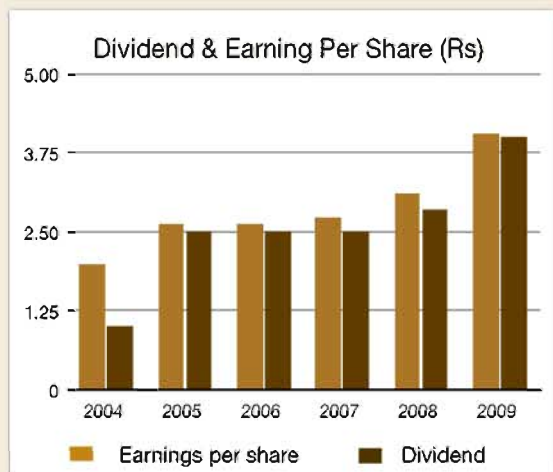
- Audit Committee.
- Technical Committee.
- Human Resource Committee.

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.

Internal Control System

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



Directors' Report

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

Auditors

Present auditors, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, have retired and offered themselves for re-appointment. The Audit Committee recommended their re-appointment for the year 2010 on mutually agreed terms and conditions. The Board has also recommended M/S BDO Ebrahim & Co as cost auditors for the financial year 31 Dec 2009 and approval from Securities and Exchange Commission of Pakistan has been obtained.

Assessment of Effectiveness of Risk Management

The Board of Directors is responsible for ensuring that an internal control system exists properly. The Board, examines the reports of audit committee, assesses that the company's internal control system is efficient and effectively operating. The audit committee reports to the Board on quarterly or more frequent basis on such things as audit plans, audit findings and other items deemed to be significant. Audit committee always keeps its eyes and ears open for potential weaknesses in internal control and continuously probe the responsible regarding operation of the system. To ensure that internal auditors carry out their responsibilities, the audit committee approves and periodically reviews the internal audit program. The head of internal audit reports directly to the audit committee on the results of its work.

Environment, Health and Safety

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

Shareholders' Information

To update shareholders about the operations, growth and state of affairs of the Company, the management promptly disseminates all material information, including announcement of interim and final results to the Stock Exchanges. Quarterly, half yearly and annual financial statements are accordingly circulated within stipulated timeframe to all concerned. Company has also obtained certificate from National Institutional Facilitation Technologies (Pvt) Ltd (NIFT) for submission of financial results to Stock Exchanges and E-filing with Registrar of the Companies. Similarly, notices and announcements of dividend are transmitted to all stakeholders and regulators within the time, laid down in the Code of Corporate Governance, the Companies Ordinance 1984 and listing regulations of Stock Exchanges. The same are also uploaded on website of the Company.

Shareholding Pattern

Company shares are quoted on all three Stock Exchanges i.e, Karachi, Lahore and Islamabad. A total of 990.47 million Company shares were traded only on the Karachi Stock Exchange during the year and the free float stood at 31.32 %. The market capitalization of the Company stock was recorded at Rs 25.88 billion at the close of 2009. FFBL shares were subject to a wide range of trading from a high of Rs 28.15 per share to a low of Rs 12.48 per share, closing the year at Rs 26.13 per share.

There were 15,782 holders of the Company's equity at the close of 2009. About 83.75% of total shares outstanding were closely held by the sponsors, investment companies, financial institutions and other corporate bodies. About 1.93% shares were kept by the foreign shareholders.

Human Capital Development

At FFBL, we believe there must be more intentional, results-oriented, and visible Human Capital initiatives through delivery of innovative, quality human resources systems, programs and services. Our human resources department strives to provide our employees with an enterprising work environment, so that they can live up to their full potential. Several initiatives were rolled-out to ensure the development of Human Capital in order to cater to the changing business challenges. Human Resource initiatives focused on encouraging empowerment in the organization. As part of the ongoing effort to improve the HR department's effectiveness, an agreement for "HR functional Re-Engineering" project was signed with Abacus Consulting.

This project envisages to bring FFBL organization structure, policies and procedures in line with market practices to achieve:

- Streamlined Business Processes
- Competitive Compensation Practices
- One Team One Goal
- Employer Branding
- Talent Lifecycle Development



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 along with record of price, number of shares, form of shares certificates and nature of transaction.
- No Director, CE or Executive shall, directly or indirectly, deal in the shares of the Company in any manner during the closed period as determined by the Company prior to the announcement of interim / final results and any business decisions which may affect the market price of the Company's share.
- Directors, Chief Executive, CFO, Company Secretary, their spouses and minor children did not trade in Company's shares during the year.

Directors' Report

Employees Retirement Benefits

Value of investments of Provident and Gratuity Funds as on 31 Dec 2009 (un-audited) is as under:-

	2009 Rs (millions)	2008 Rs (millions)
Provident Fund	372	204
Gratuity Fund	122	76

Relations with Personnel and Community

The company is committed to have a high caliber team with a zeal for winning by maintaining corporate culture, recognition of talent and performance to benefit from the collective efforts and dedication of all its employees. Relationship amongst the Company, its employees and the community continues to be extremely cordial, based on mutual respect and confidence, contributing to the optimum efficiency. Industrial Peace Agreement between the management and Collective Bargaining Agent (CBA) of Employees Union is expiring on 22 Apr 2010 and will be signed for another two years, for the satisfaction of both parties and harmonious functioning of the plant.

IT Enabled Organizational Transformation (ITET)

FFBL Management is focused on the strategy of modernization with the vision to adopt and attain the best information technology. Realizing the deficiencies in areas like scalability, lack of integration and consolidation, FFBL Management decided to transform the entire organization through IT enablement and launched ITET (IT Enabled Organizational Transformation). Main areas are:

- SAP implementation with Big Bang approach with nine modules covering all business disciplines of the organization. SAP implementation will help FFBL to integrate its business processes within departments, resulting in transparency, timely availability of information and efficiency improvement. The project is expected to be completed this year.
- WAN establishment between Head Office & Plantsite.
- Unified e-mail system @ffbl.com, integrated with Blackberry Services.
- Video Conferencing facility enablement between Head Office & Plantsite.
- IT infrastructure establishment including TIER-3 Data Centers, Cisco based LAYER-3 network and structured cabling system (Fiber Optic as Backbone).



Hand in hand with Morocco



Pakistan Maroc Phosphore, SA (PMP)

The overall plant performance remained satisfactory with production of phos acid during the year remained as per business plan.

However, on the fiscal side, PMP remained under financial pressure due to the drastic decline in the international prices of phosphoric acid during the year 2009 and in the absence of corresponding decrease in the input prices. It is, nevertheless, expected that with the upturn of the international prices of phosphoric acid in the near future, the financial position will improve.

Up-holding the flag of Corporate Social Responsibility



Contribution for Welfare

- During the operation of Government against terrorist in Swat region, massive people were displaced from their residences. Substantial assistance in the form of shelter, food and health facilities from the country fellows was a dire need to support them. Seeing the gravity of situation, the company moved forward and helped make their suffering a little less by extending financial support of Rs 32 million to the displaced families.
- We also continued our tradition of spending Rs one million in education sector.
- Donated Rs 0.7 million to Al-Shifa Eye Trust.

President's Mass Afforestation Programme

Implementation of President's Mass Afforestation Programme was taken in true letter and spirit. A comprehensive strategy was derived to complete the task assigned by the Ministry of Environment, with dedicated efforts. As a result, so far, approximately 6,000 saplings of various kinds have been planted at our Plantsite, Karachi, to make the environment pollution free, more greener and enhance the beautification of our Plant area.



Directors' Report

Board of Directors

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

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

	Attendance	
Lt Gen Hamid Rab Nawaz (Retd)	5	
Lt Gen Anis Ahmed Abbasi (Retd)	5	
Lt Gen Malik Arif Hayat (Retd)	3	Appointed with effect from 17 Mar 09
Mr. Qaiser Javed	5	
Brig Arif Rasul Qureshi (Retd)	4	
Brig Rahat Khan (Retd)	5	
Dr Nadeem Inayat	5	
Brig Liaqat Ali (Retd)	5	
Brig Jawaid Rashid Dar (Retd)	4	Appointed with effect from 11 Feb 09

Vacation of Directors

The Board places on record their appreciations for the valuable services rendered by the outgoing Directors, Lt Gen Munir Hafiez, HI(M), (Retd) for his contribution and visionary approach. The Board also appreciates the services of Mr Istaqbal Mehdi, as a director, towards the Company.

The Board unanimously welcomes Lt Gen Malik Arif Hayat, HI (M), (Retd) as new Director and hope that the Company will prosper further under his able guidance. Board also extends welcome to Brig Jawaid Rashid Dar, SI(M), (Retd) as fellow Board member and looks forward to working in harmony towards future growth and prosperity of the Company.

Board Committees

• Audit Committee

The Committee comprises four members including its Chairman. 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, business plans and internal audit department reports, prior to the approval by Board of Directors. It also recommends to the Board the appointment of external auditors and advises on the establishment and maintenance of the framework of internal control and appropriate ethical standards for the management of the Company.

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

	Attendance
• Mr Qaiser Javed	5
• Brig Rahat Khan (Retd)	5
• Brig Arif Rasul Qureshi (Retd)	4
• Dr Nadeem Inayat	5

- **Technical Committee**

This Committee comprises 3 members including its Chairman. All members are non-executive directors. It reviews all technical matters pertaining to the plant operations and capital expenditure of the Company.

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

	Attendance
• Brig Arif Rasul Qureshi (Retd)	5
• Brig Rahat Khan (Retd)	3
• Dr Nadeem Inayat	4

- **Human Resource Committee**

This Committee comprises 3 members including its Chairman. All members are non-executive directors. It reviews all HR related matters of the Company.

During the year, two meetings of the HR Committee were held, attended by all the members, mentioned as:-

• Dr Nadeem Inayat
• Brig Liaqat Ali (Retd)
• Brig Jawaid Rashid Dar (Retd)

Future Outlook

FFBL intends investing an amount of upto Rs 5 billion in four power projects, subject to the approval by the Company's shareholders.

One of the projects is an independent 125 MW power generation company, which is in the development phase with an estimated project cost of US\$ 180 million and is likely to commence commercial operations by the end of 2012. Three Wind Power Projects of 50 MW and estimated project cost of US\$ 135 million each are also under consideration. These Projects are in the development phase and are likely to commence commercial operations by 2012-13.

The Directors considered that given the advantages of diversification and the growing demand for power in the country, aforementioned projects represent long term stable investments that offer steady and attractive revenue streams to the Company and would help sustain business profitability and add to shareholders' value.

The approval of the said investments, by special resolution of the Company's shareholders, will be sought at the general meeting to be convened on March 16, 2010.

Business Challenges

In spite of our record profitability in year 2009, it cannot be ignored that we are working in a tough global as well as domestic environment. FFBL however is committed and confident to tackle all challenges coming across with prime objective of delivering best possible results to the shareholders in year 2010.

Directors' Report

Acknowledgements



I, on behalf of the Board would like to convey our deepest appreciation to all employees for their sincerity, commitment and perseverance in respective fields which has helped the Company in producing outstanding performance during the year 2009.

The Board also pays gratitude to Company's customers, suppliers, bankers, SSGCL and GOP for their support, which contributed to Company's successes, and looks forward for their continued assistance in the future as well.

Finally, I convey my personal gratitude for the confidence that our shareholders have reposed in the Company. I sincerely hope that you will continue to extend your whole-hearted support to us so that we, alongwith all employees continue to further accelerate the growth and progress of the Company, Insha-Allah.

For and on behalf of the Board

A handwritten signature in black ink, consisting of a large, stylized 'H' followed by several loops and a long horizontal stroke.

Lt Gen Hamid Rab Nawaz (Retd)
Chairman

Rawalpindi
January 26, 2010

Financial Statements

For the Year Ended Dec 31, 2009

Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the 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 eight non executive directors and one executive director.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred in the Board during the year 2009, were filled up within 30 days of occurrence.
5. 'Statement of Ethics and Business Practices', evolved by the Company has been signed by all the Directors and employees.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of 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. The Board has planned orientation courses for its directors for the year 2010.
10. Officers having positions of CFO and Head of Internal Audit were appointed prior to the implementation of the Code of Corporate Governance. The Board has approved the appointment of Company Secretary, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval by the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Company has complied with approval of transactions with related parties as per Karachi Stock Exchange notice No KSE/N-269 dated 19 Jan 2009.
16. The Board has formed an audit committee. It comprises four members, who all are non-executive directors, including the Chairman of the Committee.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has setup an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
19. 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

Rawalpindi
January 26, 2010



Lt Gen Anis Ahmed Abbasi (Retd)
Chief Executive & Managing Director

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2009.

ISLAMABAD
January 26, 2010

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

Auditors' Report to the Members

We have audited the annexed balance sheet of Fauji Fertilizer Bin Qasim Limited ("the Company") as at December 31, 2009 and the related profit and loss accounts, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as indicated in note 2.5, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- (c) in our opinion and to the best of our information and according to the 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, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

ISLAMABAD
January 26, 2010

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

Balance Sheet

As at December 31, 2009

		2009	2008
	Note	(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	9,341,100	9,341,100
Capital reserve	5	228,350	228,350
Statutory reserve		6,380	-
Translation reserve		698,005	572,399
Accumulated profit		386,066	344,522
		<u>10,659,901</u>	<u>10,486,371</u>
NON-CURRENT LIABILITIES			
Long term financing	6	208,472	625,416
Long term murabaha	7	19,338	58,017
Long term loan	8	4,537,404	5,185,605
Deferred liabilities	9	4,052,814	4,196,793
		<u>8,818,028</u>	<u>10,065,831</u>
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	10	6,715,839	6,264,669
Mark - up accrued	11	110,324	593,586
Short term borrowings	12	7,730,450	18,257,082
Current portion of:			
- Long term financing	6	416,944	416,944
- Long term murabaha	7	38,679	38,679
- Long term loan	8	648,201	648,201
Provision for income tax- net		1,086,816	308
		<u>16,747,253</u>	<u>26,219,469</u>
		<u><u>36,225,182</u></u>	<u><u>46,771,671</u></u>

CONTINGENCIES AND COMMITMENTS

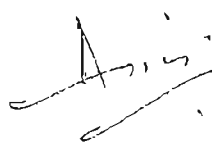
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The annexed notes 1 to 40 form an integral part of these financial statements.

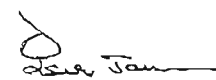
		2009	2008
	Note	(Rupees '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	15	15,576,899	15,847,104
Long term investments	16	2,127,972	2,416,770
Long term deposits		76,546	15,228
		<u>17,781,417</u>	<u>18,279,102</u>
CURRENT ASSETS			
Stores and spares	17	1,849,794	1,422,567
Stock in trade	18	1,227,013	5,676,739
Trade debts	19	476,728	285,451
Advances	20	111,353	64,637
Trade deposits and short term prepayments	21	4,807	4,876
Interest accrued		116,819	65,669
Due from GOP on account of DAP subsidy	22	-	12,440,060
Other receivables	23	230,797	471,513
Sales tax refundable		119,487	119,530
Short term investments	24	4,658,936	-
Cash and bank balances	25	9,648,031	7,941,524
		<u>18,443,765</u>	<u>28,492,569</u>
		<u>36,225,182</u>	<u>46,771,671</u>



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

Profit and Loss Account

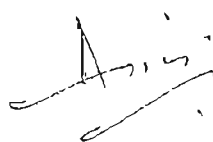
For the year ended December 31, 2009

		2009	2008
	Note	(Rupees '000)	
Turnover	26	36,724,920	26,820,812
Cost of sales	27	(27,059,566)	(18,594,752)
GROSS PROFIT		9,665,354	8,226,060
Selling and distribution expenses	28	(2,236,123)	(1,776,864)
Administrative expenses	29	(401,204)	(207,383)
		7,028,027	6,241,813
Finance cost	30	(1,459,792)	(2,791,971)
Other operating expenses	31	(442,692)	(564,516)
		5,125,543	2,885,326
Other operating income			
Share of (loss) / profit of joint venture and profit of associate	16	(314,908)	133,221
Compensation from GOP	32	-	600,000
Others	33	997,668	786,328
		682,760	1,519,549
PROFIT BEFORE TAXATION		5,808,303	4,404,875
Taxation	34	(2,023,938)	(1,505,254)
PROFIT AFTER TAXATION		3,784,365	2,899,621
Earnings per share - basic and diluted (Rupees)	35	4.05	3.10

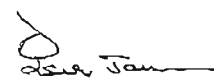
The annexed notes 1 to 40 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

Statement of Comprehensive Income

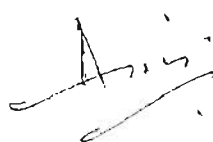
For the year ended December 31, 2009

	2009	2008
	(Rupees '000)	
Profit after tax	3,784,365	2,899,621
Other comprehensive income		
Exchange difference on translating a joint venture	125,606	572,399
Total comprehensive income	3,909,971	3,472,020

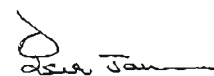
The annexed notes 1 to 40 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

Cash Flow Statement

For the year ended December 31, 2009

		2009	2008
	Note	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	36	24,063,353	(7,099,702)
Finance cost paid		(1,806,414)	(1,108,157)
Taxes paid		(1,108,707)	(1,103,218)
Payment to Gratuity Fund		(27,702)	(17,950)
Compensated absences paid		(9,771)	(9,739)
Payment to Workers' (Profit) Participation Fund		(278,890)	(218,069)
Payment to Workers' Welfare Fund		(88,098)	-
Net cash generated from / (used in) operating activities		20,743,771	(9,556,835)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(956,126)	(839,691)
Proceeds from sale of property, plant and equipment		6,736	7,180
Investment in Fauji Cement Company Ltd		-	(300,000)
Long term deposits		(61,318)	-
Dividend received from PMP		95,389	-
Short term investments		116,756	2,484,704
Profit received on bank balances and term deposits		532,826	622,701
Net cash (used in) / generated from investing activities		(265,737)	1,974,894
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		(416,944)	(416,944)
Principal portion of lease rentals paid		-	(2,651)
Long term murabaha - repayments		(38,679)	(38,679)
Dividend paid		(3,389,272)	(1,750,571)
Net cash used in financing activities		(3,844,895)	(2,208,845)
Net increase / (decrease) in cash and cash equivalents		16,633,139	(9,790,786)
Cash and cash equivalents at beginning of the year		(10,315,558)	(524,772)
Cash and cash equivalents at end of the year		6,317,581	(10,315,558)
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprises the following balance sheet amounts:			
- Cash and bank balances	25	9,648,031	7,941,524
- Short term highly liquid investments	24	4,400,000	-
- Short term borrowings	12	(7,730,450)	(18,257,082)
		6,317,581	(10,315,558)

The annexed notes 1 to 40 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

Statement of Changes in Equity

For the year ended December 31, 2009

	Capital reserves			Accumulated profit / (loss)	Total	
	Share capital	Capital reserve	Statutory reserve			Translation reserve
	(Rupees '000)					
Balance as at January 01, 2008	9,341,100	228,350	-	-	(1,060,523)	8,508,927
Total comprehensive income						
Profit for the year after tax	-	-	-	-	2,899,621	2,899,621
Other comprehensive income	-	-	-	572,399	-	572,399
Total other comprehensive income for the year	-	-	-	572,399	-	572,399
Total comprehensive income for the year	-	-	-	572,399	2,899,621	3,472,020
Transactions with owners, recorded directly in equity						
Distributions to owners						
Final dividend 2007 (Re. 1 per ordinary share)	-	-	-	-	(934,110)	(934,110)
Interim dividend 2008 (Re. 0.6 per ordinary share)	-	-	-	-	(560,466)	(560,466)
Total transactions with owners	-	-	-	-	(1,494,576)	(1,494,576)
Balance as at December 31, 2008	<u>9,341,100</u>	<u>228,350</u>	<u>-</u>	<u>572,399</u>	<u>344,522</u>	<u>10,486,371</u>
Balance as at January 01, 2009	9,341,100	228,350	-	572,399	344,522	10,486,371
Total comprehensive income						
Profit for the year after tax	-	-	-	-	3,784,365	3,784,365
Other comprehensive income	-	-	-	125,606	-	125,606
Total other comprehensive income for the year	-	-	-	125,606	-	125,606
Total comprehensive income for the year	-	-	-	125,606	3,784,365	3,909,971
Transferred to statutory reserve by a joint venture	-	-	6,380	-	(6,380)	-
Transactions with owners, recorded directly in equity						
Distributions to owners						
Final dividend 2008 (Rs. 2.25 per ordinary share)	-	-	-	-	(2,101,748)	(2,101,748)
1st Interim dividend 2009 (Re. 0.5 per ordinary share)	-	-	-	-	(467,055)	(467,055)
2nd Interim dividend 2009 (Re. 1.25 per ordinary share)	-	-	-	-	(1,167,638)	(1,167,638)
Total transactions with owners	-	-	-	-	(3,736,441)	(3,736,441)
Balance as at December 31, 2009	<u>9,341,100</u>	<u>228,350</u>	<u>6,380</u>	<u>698,005</u>	<u>386,066</u>	<u>10,659,901</u>

The annexed notes 1 to 40 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

Notes to the Financial Statements

For the year ended December 31, 2009

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. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

2.4.1 Staff retirement gratuity

Defined benefit plan is provided for permanent employees of the Company. The plan is typically structured as a separate legal entity managed by trustees. Calculations in this respect require assumptions to be made of future outcomes, the 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.

2.4.2 Property, plant and equipment

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

2.4.3 Provision for inventory obsolescence and doubtful receivables

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

2.4.4 Taxation

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

2.4.5 Contingencies

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

2.4.6 Impairment

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

2.5 Changes in accounting policies

The Company has changed its accounting policies in the following areas:

- Presentation of financial statements; and
- Disclosure of financial instruments

(i) The Company applies revised IAS 1 "Presentation of Financial Statements", which became effective from January 01, 2009. The Company has accordingly presented all changes in owners equity in the statement of changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information has been re-presented in conformity with the revised standard. The change in accounting policy impacts presentation only without any impact on earnings per share.

(ii) The Company applies IFRS 7 "Financial Instruments: Disclosures", which became effective from annual periods beginning on or after 01 July 2008. As a result, the Company has disclosed all the requirements of this standard with respect to financial instruments risk exposure, risk management policies and other related disclosures.

Comparative information has also been disclosed in conformity with this standard. Since the change in accounting policy results in increased disclosures on financial instruments, there is no impact on earnings per share.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by associated and jointly control companies except as explained in note 2.5, which addresses change in accounting policy.

3.1 Employees' retirement benefits

The Company has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

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

Gratuity Fund - Defined Benefit Scheme

The Company operates a defined benefit funded gratuity for all employees who complete qualifying period of service and age. The Fund is administered by trustees. Contribution to the fund is made on the basis of actuarial valuation using Projected Unit Credit Method, related details of which are given in note 13.

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

Compensated absences

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

3.2 Taxation

Current

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

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

Deferred

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

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

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

3.3 Property, plant and equipment and capital work in progress

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing

the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in profit or loss.

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

Depreciation is calculated on the straight line method and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 15. Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Freehold land is not depreciated.

3.4 Borrowing costs

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

3.5 Investments

3.5.1 Associates and jointly controlled entities (equity accounted investees)

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

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

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.5.2 Investment available for sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-

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

3.5.3 Investments at fair value through profit or loss - held for trading

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

3.5.4 Loans and receivables

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

3.5.5 Acquisition under common control

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

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

3.6 Goodwill

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

3.7 Impairment

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

account. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

3.8 Stores and spares

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

3.9 Stock in trade

These are valued at the lower of weighted average cost and net 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 is determined as follows:

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

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

3.10 Financial instruments

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

Trade and other payables

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

Trade debts and other receivables

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

Off-setting of financial assets and liabilities

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

3.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances and short term borrowings.

3.12 Mark-up bearing borrowings

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

3.13 Provisions

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

3.14 Dividends

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

3.15 Foreign currency

Foreign currency transactions

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

Investment in foreign joint venture

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

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

All resulting exchange differences are recognised in other comprehensive income within statement of

comprehensive income. The Company has been recognising such differences in translation reserve over the years. When a foreign investment is sold, in part or in full, the relevant amount in the translation reserve is transferred to profit and loss account as part of the profit or loss on sale.

3.16 Revenue recognition

Sale

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

Scrap sales and miscellaneous receipts

Scrap sales and miscellaneous receipts are recognised on realized amounts.

3.17 Basis of allocation of common expenses

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

3.18 Government compensation

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

3.19 DAP subsidy for farmers

DAP subsidy announced by the Government of Pakistan (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.

3.20 Earnings per share

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

3.21 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of investments held for trading. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

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

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

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

-Revised IFRS 3 Business Combinations	(effective 1 July 2009)
-Amended IAS 27 Consolidated and Separate Financial Statements	(effective 1 July 2009)
-Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	(effective 1 July 2009)
-Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged Items	(effective 1 July 2009)
-IFRIC – 17 Distributions of Non-cash Assets to Owners	(effective 1 July 2009)
-Amendments to IFRS 2 Share-based payments and IFRS 3 Business Combinations	(effective 1 July 2009)
-Amendments to IAS 38 Intangible Assets	(effective 1 July 2009)
-Amendments to IFRIC 9 Reassessment of Embedded Derivatives	(effective 1 July 2009)
-Amendments to IFRIC 16 Hedges of a Net Investment in a Foreign Operation	(effective 1 July 2009)
-Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	(effective 1 January 2010)
-Amendments to IFRS 8 Operating Segments	(effective 1 January 2010)
-Amendments to IAS 1 Presentation of Financial Statements	(effective 1 January 2010)
-Amendments to IAS 7 Statement of Cash Flows	(effective 1 January 2010)
-Amendments to IAS 17 Leases	(effective 1 January 2010)
-Amendments to IAS 36 Impairment of Assets	(effective 1 January 2010)
-Amendments to IAS 39 Financial Instruments	(effective 1 January 2010)
-Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters	(effective 1 January 2010)
-Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions	(effective 1 January 2010)
-Amendment to IAS 32 Financial Instruments: Presentation – Classification Of Rights Issues	(effective 1 January 2010)
-Revised IAS 24 Related Party Disclosures	(effective 1 January 2010)
-IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	(effective 1 July 2010)
-Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	(effective 1 January 2011)
-IFRS 9 Financial Instruments	(effective 1 January 2013)

	2009	2008
	(Rupees '000)	
4. SHARE CAPITAL		
4.1 ISSUED, SUBSCRIBED AND PAID - UP CAPITAL		
934,110,003 Ordinary shares of Rs. 10 each issued for cash	<u>9,341,100</u>	<u>9,341,100</u>
4.2 The holding company and Fauji Foundation held 475,232,996 and 161,501,286 (2008: 475,232,996 and 161,501,286) ordinary shares respectively of the Company at the year end.		
	2009	2008
	(Rupees '000)	
4.3 AUTHORIZED SHARE CAPITAL		
1,100,000,000 Ordinary shares of Rs. 10 each	<u>11,000,000</u>	<u>11,000,000</u>
5. CAPITAL RESERVE		
This represents share premium of Rs. 5 per share received on public issue of 45,670 thousand ordinary shares in 1996.		
	2009	2008
	(Rupees '000)	
6. LONG TERM FINANCING - SECURED		
From banking companies and financial institutions		
Habib Bank Limited (HBL)	194,694	324,488
Standard Chartered Bank (Pakistan) Limited (SCB)	111,329	185,550
MCB Bank Limited (MCB)	191,926	319,876
Askari Bank Limited (ABL)	42,857	71,429
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited (SAPICO)	16,039	26,731
Pak Kuwait Investment Company (Pvt) Limited (PKIC)	68,571	114,286
	<u>625,416</u>	<u>1,042,360</u>
Less: Current portion shown under current liabilities	416,944	416,944
	<u>208,472</u>	<u>625,416</u>

Lenders	Purchase price	Mark-up rate	No. of quarterly installments outstanding	Repayment commenced from
	(Rupees '000)			
HBL	908,570	12.3799%	6	July 2004
SCB	519,539	12.3799%	6	July 2004
MCB	895,653	12.3799%	6	July 2004
ABL	200,000	12.3799%	6	July 2004
SAPICO	74,847	12.3799%	6	July 2004
PKIC	320,000	12.3799%	6	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. LONG TERM MURABAHA - SECURED

Faysal Bank Limited (FBL) - a banking company
 Less: Current portion shown under current liabilities

	2009	2008
	(Rupees '000)	
	58,017	96,696
	38,679	38,679
	19,338	58,017

Lender	Facility	Mark-up rate	No. of quarterly installments outstanding	Repayment commenced from
	(Rupees '000)			
FBL	270,748	12.3799%	6	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. These charges ranks pari passu with the charges already created or to be created in favour of other foreign and local lenders.

		2009	2008
		(Rupees '000)	
	Note		
8.	LONG TERM LOAN - UNSECURED		
	Government of Pakistan (GOP) loan	3,870,599	4,223,180
	Deferred Government Assistance	1,315,006	1,610,626
		<u>5,185,605</u>	<u>5,833,806</u>
	Less: Current portion shown under current liabilities	648,201	648,201
		<u>4,537,404</u>	<u>5,185,605</u>

- 8.1 This represents balance amount of GOP loan amounting to Rs. 9,723,015 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. 295,620 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 GOP, were initially secured by a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions, which guarantee is secured by first equitable mortgage created on all immovable properties of the Company and by way of hypothecation of movable properties of the Company. The charge ranks pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested the Company to obtain an indemnity from GOP confirming that it is GOP's absolute obligation to indemnify and keep related banks and financial institutions harmless from any possible exposure on this account. Accordingly, on December 16, 2002, GOP had conveyed its agreement by assuming ECA loan liabilities by absolving related banks and financial institutions of their liabilities for which they earlier issued guarantees to ECA. As a result, two ECA have released the guarantee of HBL and have returned the original documents.

Since two ECA have yet to release HBL from its responsibility as guarantor therefore, the above referred guarantee and related charge on assets of the Company have not been vacated up to December 31, 2009. The Company is making efforts in getting this guarantee released.

		2009	2008
	Note	(Rupees '000)	
9. DEFERRED LIABILITIES			
Compensated leave absences	9.1	143,808	116,510
Deferred tax	9.2	3,909,006	4,080,283
		<u>4,052,814</u>	<u>4,196,793</u>
9.1	Actuarial valuation has not been carried out as the impact is considered to be immaterial.		
9.2	The balance of deferred tax is in respect of the following major temporary differences:		
	Accelerated depreciation	3,994,365	4,135,826
	Provision against doubtful receivables	(18,734)	(18,734)
	Share of profit of associate	3,198	13,322
	Provision for inventory obsolescence	(69,823)	(50,131)
	9.2.1	<u>3,909,006</u>	<u>4,080,283</u>
9.2.1	The movement of deferred tax during the current year is as follows:		
	Opening balance	4,080,283	3,994,235
	(Reversal) / charge for the year	(171,277)	86,048
	Closing balance	<u>3,909,006</u>	<u>4,080,283</u>
9.2.2	At 31 December 2009, a deferred tax liability of Rs. 134,694 thousand for temporary difference of Rs. 384,839 thousand related to investment in the joint venture was not recognized as the Company does not intend to dispose of the investment in the foreseeable future.		
	Note	2009	2008
		(Rupees '000)	
10. TRADE AND OTHER PAYABLES			
Creditors		2,949,346	4,571,018
Accrued liabilities		1,381,721	885,690
Advances from customers		837,375	364,990
Workers' (Profit) Participation Fund	10.1	52,302	18,437
Payable to Gratuity Fund	13	14,473	8,417
Workers' Welfare Fund		280,989	243,657
Unclaimed dividend		386,635	39,466
Withholding tax payable		3,275	5,713
Other payables	10.2	809,723	127,281
		<u>6,715,839</u>	<u>6,264,669</u>
10.1 Workers' (Profit) Participation Fund (WPPF)			
Balance at beginning of the year		18,437	17,786
Interest on funds utilised in Company's business		453	283
Allocation for the year	31	312,302	218,437
		<u>331,192</u>	<u>236,506</u>
Payment to WPPF during the year		(278,890)	(218,069)
		<u>52,302</u>	<u>18,437</u>

- 10.2 This includes Rs. 696,402 thousands payable to GOP of which Rs. 648,201 thousands relates to the current year and Rs. 48,201 thousands after netting off the GOP compensation amounting to Rs. 600,000 thousands for the year 2008.

	Note	2009 (Rupees '000)	2008
11. MARK - UP ACCRUED			
On long term financing			
From banking companies and financial institutions		19,765	31,105
On long term murabaha		1,834	2,886
On short term borrowings		88,725	559,595
		<u>110,324</u>	<u>593,586</u>
12. SHORT TERM BORROWINGS - SECURED			
From banking companies and financial institutions			
Short term running finance	12.1	7,730,450	8,318,163
Finance against trust receipts (FATR)		-	9,938,919
		<u>7,730,450</u>	<u>18,257,082</u>

- 12.1 The Company has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs. 27,350,000 thousand (2008: Rs. 24,500,000 thousand). These facilities carry mark-up ranging from 12.79% to 15.58% per annum (2008: 9.54 % to 17.05% per annum) 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.

	2009 (Rupees '000)	2008
13. GRATUITY FUND		
a) Reconciliation of amounts recognised in the balance sheet is as follow:		
Present value of defined benefit obligation	155,823	129,187
Fair value of plan assets	(106,539)	(66,509)
Deficit	49,284	62,678
Net actuarial losses not recognized	(34,811)	(54,261)
	<u>14,473</u>	<u>8,417</u>

	2009	2008
	(Rupees '000)	
b) The movement in the present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation at beginning of the year	129,187	95,727
Current service cost	16,088	17,280
Interest cost	19,378	9,572
Benefits paid during the year	(12,439)	(11,749)
Actuarial loss	3,609	18,357
Present value of defined benefit obligation at end of the year	<u>155,823</u>	<u>129,187</u>
c) The movement in fair value of plan assets is as follows:		
Fair value of plan assets at beginning of the year	66,509	68,510
Expected return on plan assets	9,978	3,426
Contributions	27,702	17,950
Benefits paid during the year	(12,439)	(11,749)
Actuarial gain / (loss)	14,789	(11,628)
Fair value of plan assets at end of the year	<u>106,539</u>	<u>66,509</u>
d) Plan assets comprise of:		
Investment in listed securities	24,635	6,755
Investment in mutual funds	-	4,240
Cash and bank balances	81,904	55,514
	<u>106,539</u>	<u>66,509</u>
e) Actual return on plan assets	<u>24,766</u>	<u>(8,202)</u>
Contributions expected to be paid to the plan during the next financial year	<u>31,750</u>	<u>33,758</u>

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

	2009	2008
	(Rupees '000)	
g) Movement in liability recognised in the balance sheet:		
Opening liability	8,417	-
Expense for the year	33,758	26,367
Payments to the fund during the year	(27,702)	(17,950)
Closing liability	<u>14,473</u>	<u>8,417</u>

	2009	2008
	(Rupees '000)	
h) Amount recognised in the profit and loss account is as follows:		
Current service cost	16,088	17,280
Interest cost	19,378	9,572
Expected return on plan assets	(9,978)	(3,426)
Actuarial losses recognised	8,270	2,941
	<u>33,758</u>	<u>26,367</u>
i) The expense is recognised in the following line items in the profit and loss account:		
Cost of sales	28,539	23,119
Administrative expenses	5,219	3,248
	<u>33,758</u>	<u>26,367</u>

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

	2009	2008	2007	2006	2005
	(Rupees '000)				
Present value of defined benefit obligation	155,823	129,187	95,727	69,346	51,513
Fair value of plan assets	(106,539)	(66,509)	(68,510)	(50,528)	(38,690)
Deficit	<u>49,284</u>	<u>62,678</u>	<u>27,217</u>	<u>18,818</u>	<u>12,823</u>
Experience adjustments					
- on obligations	3,609	18,357	15,417	6,579	8,962
- on plan assets	14,789	(11,628)	4,841	(1,061)	(298)

	2009	2008
k) Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2009 are as follows:		
Discount rate	14.00%	15.00%
Expected rate of salary growth	14.00%	15.00%
Expected rate of return on plan assets	14.00%	15.00%

	2009	2008
	(Rupees '000)	
14. CONTINGENCIES AND COMMITMENTS		
Contingencies		
i) Indemnity bonds and undertakings given to custom authorities for machinery imported by the Company for installation at plant site.	119,650	119,650
ii) Guarantees issued by banks on behalf of the Company.	30,031	25,098
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.	36,668	41,306
iv) Claim by a supplier, not acknowledged as debt by the Company.	-	15,824
v) Company's share of contingent liabilities of Fauji Cement Company Limited as at September 30, 2009.	37,537	31,233
Commitments		
i) Capital expenditure - contracted.	141,727	18,564
ii) Letters of credit for purchase of raw material and stores and spares.	1,381,137	566,881
iii) Company's share of commitments of Fauji Cement Company Limited as at September 30, 2009.	60,315	428,000
iv) Company's share of commitments of PMP as at September 30, 2009.	43,379	-

15. 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 (note 15.1)	Vehicles		
(Rupees, 000)														
COST														
Balance as at January 01, 2008	213,350	120,000	1,489,245	20,377,807	17,384	81,211	45,887	38,175	1,889	1,483,694	10,818	23,889,419		
Additions during the year	-	-	4,125	3,287	711	24,418	3,485	10,307	19	783,029	-	839,694		
Disposals	-	-	-	-	-	(14,782)	(523)	(83)	-	(15,328)	-	(15,328)		
Adjustments	-	-	-	(467,877)	-	-	(8)	(8,974)	-	-	-	(471,867)		
Transfers	-	-	-	2,070,149	-	10,319	1,068	-	-	(2,071,215)	(10,818)	-		
Balance as at December 31, 2008	213,350	120,000	1,493,470	21,983,375	18,095	111,635	49,911	54,495	2,006	2,077,508	-	24,741,924		
Balance as at January 01, 2009	213,350	120,000	1,473,470	21,983,376	18,095	111,635	49,911	54,495	2,006	2,077,508	-	24,741,924		
Additions during the year	-	-	75,648	53,529	2,539	63,506	16,894	12,545	603	624,517	-	866,126		
Disposals	-	-	-	(5,428)	-	(13,187)	(112)	(16)	-	-	-	(18,742)		
Adjustments	-	-	-	(1,333)	(15,967)	(15,885)	(56,560)	(94,319)	(783)	(125,823)	-	(194,812)		
Transfers	-	-	-	126,823	-	-	-	-	-	-	-	-		
Balance as at December 31, 2009	213,350	120,000	1,549,118	22,158,667	4,664	146,119	32,133	32,705	1,788	2,111,650	-	25,174,496		
DEPRECIATION														
Balance as at January 01, 2008	63,784	-	348,409	6,807,422	13,615	62,425	44,720	41,688	1,719	48,608	10,818	7,631,151		
Additions during the year	4,639	-	44,038	1,999,800	388	14,811	258	7,368	133	38,377	-	1,990,072		
Disposals	-	-	-	-	-	(11,416)	(444)	(18)	-	-	-	(11,878)		
Adjustments	-	-	-	(210,646)	-	-	-	(3,890)	-	-	-	(214,536)		
Transfers	-	-	-	3,677	-	10,818	(3,971)	-	-	-	(10,818)	-		
Balance as at December 31, 2008	68,423	-	392,447	7,807,584	13,903	64,628	46,583	45,058	1,832	67,015	-	8,494,820		
Balance as at January 01, 2009	68,423	-	392,447	7,807,584	13,903	64,628	46,583	45,058	1,832	67,015	-	8,494,820		
Additions during the year	4,639	-	44,388	1,104,255	415	19,830	3,429	8,526	180	31,077	-	1,218,759		
Disposals	-	-	-	-	-	(12,800)	(1,039)	(6)	-	-	-	(13,845)		
Adjustments	(3,567)	-	(95)	(15,389)	(13,483)	(23,082)	(93,046)	(38,189)	(1,283)	-	-	(130,612)		
Balance as at December 31, 2009	69,195	-	436,820	8,920,036	838	46,602	7,884	15,421	759	98,092	-	9,597,597		
Written down value- 2008	144,927	120,000	1,280,993	14,179,792	4,192	47,027	9,254	9,307	(6,715)	307,009	-	15,847,404		
Written down value- 2009	144,155	120,000	1,112,498	13,286,631	3,826	97,517	24,239	17,284	1,029	113,886	-	15,576,889		
Rate of depreciation	2 to 4%	-	9%	5%	10%	20%	15%	3%	30%	17 to 50%	-	20%		

		2009	2008
	Note	(Rupees '000)	
15.1 CAPITAL WORK IN PROGRESS			
This is made up as follows:			
Advances to suppliers		2,050	11,125
Intangible assets		105,283	-
Plant and machinery		554,717	196,683
Others		43,452	-
		<u>705,502</u>	<u>207,808</u>
15.2 Depreciation charge has been allocated as follows:			
Cost of sales	27	1,212,073	1,186,433
Administrative expenses	29	4,686	3,639
		<u>1,216,759</u>	<u>1,190,072</u>

		Cost	Book value	Sale proceeds/receivables
		(Rupees '000)		
15.3 Details of property, plant and equipment sold:				
Vehicles				
As per Company policy to executives				
Lt. Col (R) Naveed Zafar	969	320	418	
Lt. Col (R) Gulzar Ahmed	954	64	156	
Insurance claim	5,428	4,976	4,083	
Aggregate of items of property, plant and equipment with individual book value below Rs. 50,000	11,391	12	2,079	
	2009	<u>18,742</u>	<u>5,372</u>	<u>6,736</u>
	2008	<u>15,326</u>	<u>3,448</u>	<u>7,180</u>

		2009	2008
	Note	(Rupees '000)	
16. LONG TERM INVESTMENTS			
Investment in joint venture - equity method			
Pakistan Maroc Phosphore S.A, Morocco	16.1		
Balance brought forward		2,105,894	1,411,150
Share of (loss) / profit		(336,015)	122,345
Dividend		(99,496)	-
Gain on translation of net assets	16.1.2	125,606	572,399
Closing balance		1,795,989	2,105,894
Investment in associate - equity method			
Fauji Cement Company Limited (FCCL)	16.2		
Balance brought forward		310,876	300,000
Share of profit		21,107	10,876
Closing balance		331,983	310,876
Investment - available for sale - unquoted			
Arabian Sea Country Club Limited (ASCCL)	16.3		
300,000 ordinary shares of Rs. 10 each		3,000	3,000
Less: Impairment in value of investment		3,000	3,000
		-	-
		2,127,972	2,416,770

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

According to the shareholders' agreement, 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. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

	September 2009	September 2008	September 2009	September 2008
	(Rupees '000)			
16.1.1	PMP (Joint venture)		FCCL (Associate)	
Summary financial information for equity accounted investees as per their financial statements, not adjusted for the percentage ownership of the Company.				
Non - current assets	17,427,167	16,766,051	21,440,496	7,890,671
Non - current liabilities	(11,544,126)	(7,449,854)	(11,268,719)	(561,303)
Current assets	10,863,556	30,212,344	1,805,921	4,252,059
Current liabilities	(9,562,642)	(30,569,599)	(2,393,605)	(2,148,419)
Revenue	12,456,577	18,316,035	3,814,771	2,456,740
Expenses	13,902,211	(17,002,377)	(3,173,391)	(1,976,375)
(Loss) / profit	(1,445,634)	1,313,658	641,380	480,365

Financial statements for the period ended September 30, 2009 have been used for accounting under equity method as these were the latest financial statements approved by the Board of Directors of FCCL and PMP.

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

16.2 Fair value of investment in FCCL as at December 31, 2009 was Rs. 115,500 thousand. The management, however believes that the recoverable amount of this investment is much higher than the fair value as at December 31, 2009. The Company holds 2.53% interest in FCCL which is less than 20%, however it is concluded that the Company has significant influence due to its representation on the Board of Directors of FCCL.

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

16.3 As per audited accounts of ASCCL for the year ended June 30, 2009, the break-up value of an ordinary share was Rs. 8.25 (June 30, 2008: Rs. 7.85).

		2009	2008
		(Rupees '000)	
17. STORES AND SPARES	Note		
Stores		70,769	47,342
Spares		1,848,846	1,276,757
Items in transit		129,674	241,700
Provision for obsolescence		(199,495)	(143,232)
		<u>1,849,794</u>	<u>1,422,567</u>
18. STOCK IN TRADE			
Packing materials		17,072	62,848
Raw materials	18.1	1,033,875	26,829
Work in process		5,140	3,602
Finished goods	18.1	170,926	5,583,460
		<u>1,227,013</u>	<u>5,676,739</u>

18.1 This includes adjustment of Rs. Nil (2008: Rs. 1,364,208 thousand) for writing down the stock of Phosphoric Acid and DAP of the Company to net realisable value. After this adjustment the value of Phosphoric Acid and DAP stocks at the year ended December 31, 2008, were Rs. 26,829 thousand and Rs. 5,557,786 thousand respectively.

		2009	2008
		(Rupees '000)	
19. TRADE DEBTS			
Considered good		476,728	283,612
Due from Fauji Foundation, an associated undertaking - unsecured, considered good		-	1,842
		<u>476,728</u>	<u>285,454</u>
20. ADVANCES			
Advances to:			
- Executives, unsecured considered good		3,546	1,479
- Other employees, unsecured considered good		13,813	8,104
Advances to suppliers and contractors			
- Considered good		93,994	55,054
- Considered doubtful		45	45
		<u>94,039</u>	<u>55,099</u>
Provision for doubtful advances		(45)	(45)
		<u>93,994</u>	<u>55,054</u>
		<u>111,353</u>	<u>64,637</u>

	2009	2008
	(Rupees '000)	
21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Security deposits	1,047	1,969
Prepayments	3,760	2,907
	<u>4,807</u>	<u>4,876</u>

22. DUE FROM GOP ON ACCOUNT OF DAP SUBSIDY

This represented an amount of DAP subsidy from GOP in accordance with Ministry of Food, Agriculture and Livestock (MINFAL) notification No. 7-1/2006-Fert dated 29th September, 2006, outstanding at 31 December 2008. This amount has, however, received in full during the year 2009.

	Note	2009	2008
		(Rupees '000)	
23. OTHER RECEIVABLES			
Due from the holding company - unsecured, considered good	23.1	161,203	413,529
Other receivables			
- Considered good	23.2	69,594	57,984
- Considered doubtful		53,482	53,482
		123,076	111,466
Provision for doubtful receivables		(53,482)	(53,482)
		69,594	57,984
		<u>230,797</u>	<u>471,513</u>

23.1 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.

23.2 This includes unsecured receivable from Fauji Foundation (an associated undertaking) amounting to Rs. 13 thousand (2008: Rs. 25 thousand).

		2009	2008
	Note	(Rupees '000)	
24. SHORT TERM INVESTMENTS			
Loans and receivables at amortised cost			
Term deposits with banks and financial institutions		4,400,000	-
Investments at fair value through profit or loss - held for trading			
Money market funds		251,376	-
Surplus on remeasurement		7,560	-
		258,936	-
		<u>4,658,936</u>	<u>-</u>
25. CASH AND BANK BALANCES			
Deposit accounts - in local currency	25.1	7,976,248	6,754,299
- in foreign currency		1,649	1,565
		7,977,897	6,755,864
Current accounts		1,669,919	1,185,477
Cash in hand		215	183
		<u>9,648,031</u>	<u>7,941,524</u>

25.1 This includes Rs. Nil (2008: Rs. 1,858,133 thousand) which are under pledge with commercial banks against letters of credit and for short term borrowings. In addition Rs. 118,539 thousand (2008: Rs. 410,896 thousand) are held under lien by the commercial banks against bank guarantees issued on behalf of the Company.

		2009	2008
	Note	(Rupees '000)	
26. TURNOVER			
Gross sales		37,270,515	27,410,756
Less: Sales tax		-	339,847
Trade discounts		518,878	230,017
Commission to the holding company	26.1	26,717	20,080
		545,595	589,944
		<u>36,724,920</u>	<u>26,820,812</u>
26.1	Commission is paid @ Re. 1 per bag sold by the holding company, based on inter company services agreement.		
27. COST OF SALES			
Raw materials consumed		15,518,409	34,409,318
Packing materials consumed		470,472	492,509
Fuel and power		1,990,504	1,713,011
Chemicals and supplies consumed		158,370	135,274
Salaries, wages and benefits	27.1	1,074,527	616,825
Rent, rates and taxes		28,359	23,606
Insurance		69,671	46,710
Travel and conveyance		55,145	42,062
Repairs and maintenance		979,294	482,904
Communication, establishment and other expenses		35,483	57,061
Depreciation	15.2	1,212,073	1,186,433
Provision for inventory obsolescence		56,263	113,545
Opening stock - work in process		3,602	13,172
Closing stock - work in process		(5,140)	(3,602)
Subsidy on DAP fertilizer from Government of Pakistan	22	-	(15,522,573)
Cost of goods manufactured		21,647,032	23,806,555
Opening stock - own manufactured fertilizers		5,583,460	252,267
Closing stock - own manufactured fertilizers		(170,926)	(5,583,460)
Cost of sales - own manufactured fertilizers		27,059,566	18,475,362
Opening stock - purchased fertilizers		-	1,246
Purchase of fertilizers		-	118,144
Closing stock - purchased fertilizers		-	-
Cost of sales - purchased fertilizers		-	119,390
		<u>27,059,566</u>	<u>18,594,752</u>

27.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 28,539 thousand, Rs. 18,430 thousand and Rs. 30,557 thousand respectively. (2008: Rs. 23,119 thousand, Rs. 14,680 thousand and Rs. 33,290 thousand respectively).

		2009	2008
	Note	(Rupees '000)	
28. SELLING AND DISTRIBUTION EXPENSES			
Product transportation		1,680,782	1,440,265
Expenses charged by the holding company	28.1		
Salaries, wages and benefits		353,109	213,145
Rent, rates and taxes		33,410	25,716
Technical services		3,616	2,280
Insurance expense		14,688	-
Travel and conveyance		49,597	36,491
Sales promotion and advertising		17,260	9,715
Communication, establishment and other expenses		36,495	19,010
Warehousing expenses		38,070	23,019
Depreciation		9,096	7,223
		555,341	336,599
		2,236,123	1,776,864

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

		2009	2008
	Note	(Rupees '000)	
29. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	29.1	262,580	137,482
Travel and conveyance		30,297	33,491
Utilities		3,397	2,123
Printing and stationery		8,575	2,207
Repairs and maintenance		6,019	3,754
Communication, advertisement and other expenses		16,928	11,435
Rent, rates and taxes		5,807	2,828
Listing fee		328	221
Donations	29.2	33,915	1,363
Legal and professional		8,582	2,622
Depreciation	15.2	4,686	3,639
Miscellaneous		20,090	6,218
		401,204	207,383

29.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 5,219 thousand, Rs. 4,202 thousand and Rs. 6,512 thousand respectively (2008: Rs. 3,248 thousand, Rs. 3,194 thousand and Rs. 6,667 thousand respectively).

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

		2009	2008
		(Rupees '000)	
30. FINANCE COST	Note		
Mark-up on long term financing			
- Banking companies and financial institutions		96,708	128,531
Finance charge on leased property, plant and equipment		-	29
Mark-up on long term murabaha		8,971	11,921
Mark-up on short term borrowings		1,212,803	1,434,171
Interest on Workers' (Profit) Participation Fund		454	283
Bank charges		4,669	3,204
Exchange loss		136,187	1,213,832
		<u>1,459,792</u>	<u>2,791,971</u>
31. OTHER OPERATING EXPENSES			
Workers' (Profit) Participation Fund	10.1	312,302	218,437
Workers' Welfare Fund		125,430	88,097
Property, plant and equipment written off		4,200	257,332
Auditor's remuneration			
Fees - annual audit		550	440
Fees - half yearly review		100	100
Other certification & services		60	60
Out of pocket expenses		50	50
		<u>760</u>	<u>650</u>
		<u>442,692</u>	<u>564,516</u>
32. COMPENSATION 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. 5 billion have been received from GOP. The last installment of GOP compensation of Rs. 600,000 thousand was received in 2008.

	2009	2008
	(Rupees '000)	
33. OTHER INCOME		
Income from financial assets		
Profit on bank balances and term deposits	583,976	591,844
Dividend received on investment in money market funds	156,267	127,356
Gain on sale of investments	219,425	12,686
	<u>959,668</u>	<u>731,886</u>
Income from assets other than financial assets		
Scrap sales and miscellaneous receipts	36,636	50,710
Gain on sale of property, plant and equipment	1,364	3,732
	<u>997,668</u>	<u>786,328</u>
34. TAXATION		
Current	2,195,215	1,419,206
Deferred	(171,277)	86,048
	<u>2,023,938</u>	<u>1,505,254</u>

	2009		2008	
	(Rupees '000)	%	(Rupees '000)	%
34.1 Reconciliation of tax charge for the year:				
Profit before tax	5,808,303		4,404,875	
Tax on profit	2,032,906	35.000	1,541,706	35.000
Tax effect of lower rate on certain income	5,322	0.092	(33,305)	(0.756)
Tax effect of permanent differences	(14,290)	(0.246)	(3,147)	(0.071)
	<u>2,023,938</u>	<u>34.846</u>	<u>1,505,254</u>	<u>34.173</u>

	2009	2008
	(Rupees '000)	
35. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation (Rupees '000)	<u>3,784,365</u>	<u>2,899,621</u>
Weighted average number of ordinary shares in issue during the year (thousands)	<u>934,110</u>	<u>934,110</u>
Earnings per share - basic and diluted (Rupees)	<u>4.05</u>	<u>3.10</u>

There is no dilutive effect on the basic earnings per share of the Company for the year 2009.

	2009	2008
	(Rupees '000)	
36. CASH GENERATED FROM OPERATIONS		
Profit before taxation	5,808,303	4,404,875
Adjustments for:		
Provision for gratuity	33,758	26,367
Exchange losses	136,187	1,213,832
Provision for compensated absences	37,069	39,957
Provision for Workers' (Profit) Participation Fund	312,302	218,437
Provision for Workers' Welfare Fund	125,430	88,097
Property, plant and equipment written off	4,200	257,332
Depreciation	1,216,759	1,190,072
Stock in trade written down to net realisable value	-	1,364,208
Finance cost	1,323,605	1,578,139
Compensation from GOP	-	(600,000)
Provision for inventory obsolescence	56,263	113,545
Gain on sale of investments including dividend received	(375,692)	(140,042)
Share of loss / (profits) of associate and joint venture	314,908	(133,221)
Profit on bank balances	(583,976)	(591,844)
Gain on sale of property, plant and equipment	(1,364)	(3,732)
Operating profit before working capital changes	8,407,752	9,026,022
Changes in working capital		
Stores and spares	(483,490)	(269,543)
Stock in trade	4,449,726	(6,453,001)
Trade debts	(191,274)	(41,703)
Advances	(46,716)	14,882
Trade deposits and short term prepayments	69	3,591
Due from GOP	12,440,060	(11,710,879)
Other receivables	244,823	(382,402)
Trade and other payables	(757,640)	2,779,761
Sales tax	43	(66,430)
	15,655,601	(16,125,724)
	24,063,353	(7,099,702)

37. 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:

	2009		2008	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	5,000	331,621	3,651	196,347
Bonus	1,803	114,481	-	84,775
Contributory Provident Fund	231	15,821	163	11,764
Others	2,059	207,145	2,246	84,880
	<u>9,093</u>	<u>669,068</u>	<u>6,060</u>	<u>377,766</u>
No. of person (s)	1	155	1	126

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. 4,575 thousand (2008: Rs. 606 thousand) on separation in accordance with the Company's policy.

In addition, the other directors of the Company are paid meeting fee aggregating Rs. 730 thousand (2008: Rs. 799 thousand). No remuneration was paid to directors of the Company; (2008: Nil). The number of directors of the Company was 9 (2008: 9).

38. FINANCIAL INSTRUMENTS

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

Credit risk
Liquidity risk
Market risk

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the

Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

38.1 Credit risk

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

	2009	2008
	(Rupees '000)	
Trade debts - net of provision	476,728	285,454
Deposits	77,593	17,197
Advances	17,359	9,583
Interest accrued	116,819	65,669
Due from GOP on account of DAP subsidy	-	12,440,060
Other receivables	230,797	471,513
Short term investments	4,658,936	-
Cash and bank balances	9,648,031	7,941,524
	<u>15,226,263</u>	<u>21,231,000</u>

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade debts at the reporting date are with dealers within the country. The Company's most significant amount receivable is from a related party which amounts to Rs. 161,203 thousands (2008: Rs. 413,529 thousands) and which is included in total carrying amount of other receivables as at reporting date.

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

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

Impairment losses

The aging of trade debts at the reporting date was:

	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
	(Rupees '000)			
Past due 1-30 days	212,454	-	80,587	-
Past due 31-60 days	-	-	-	-
Past due 61-90 days	261,312	-	204,867	-
Over 90 days	2,962	-	-	-
	<u>476,728</u>	<u>-</u>	<u>285,454</u>	<u>-</u>

Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts.

The Company has recorded an impairment loss of Rs. 3,000 thousand (2008 : Rs. 3,000 thousand) in respect of its investment in available-for-sale investments.

38.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains lines of credit as mentioned in note 12 to the financial statements.

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

2009	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
(Rupees '000)							
Loan, financing and morabaha	5,869,038	5,949,209	1,045,234	248,382	766,390	2,592,802	1,296,401
Mark - up accrued	110,324	110,324	110,324	-	-	-	-
Trade and other payables	5,860,716	5,860,716	5,860,716	-	-	-	-
Short term borrowings	7,730,450	7,896,936	7,896,936	-	-	-	-
	<u>19,570,528</u>	<u>19,817,185</u>	<u>14,913,210</u>	<u>248,382</u>	<u>766,390</u>	<u>2,592,802</u>	<u>1,296,401</u>
(Rupees '000)							
2008	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years	Five years onwards
(Rupees '000)							
Loan, financing and morabaha	6,972,862	7,171,105	1,083,386	274,013	1,035,783	2,833,321	1,944,602
Mark - up accrued	593,586	593,586	593,586	-	-	-	-
Trade and other payables	5,885,549	5,885,549	5,885,549	-	-	-	-
Short term borrowings	18,257,082	18,726,764	18,726,764	-	-	-	-
	<u>31,709,079</u>	<u>32,377,004</u>	<u>26,289,285</u>	<u>274,013</u>	<u>1,035,783</u>	<u>2,833,321</u>	<u>1,944,602</u>

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

38.2.1 The contractual cash flow relating to long and short term borrowings have been determined on the basis of expected mark up rates. The mark-up rates have been disclosed in notes 6,7,8 and 12 to these financial statements.

38.3 Market risk

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

38.3.1 Currency risk

Exposure to currency risk

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

	2009		2008	
	(Rupees '000)	(US Dollar '000)	(Rupees '000)	(US Dollar '000)
Bank balance	1,649	20	1,565	20
Creditors	(2,427,143)	(28,744)	(4,225,757)	(53,369)

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate (Bid-Offer average)	
	2009	2008	2009	2008
US Dollars	81.57	71.92	83.78	79.09

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs. 242,549 thousand (2008 : Rs. 422,419 thousand). A 10% weakening of the functional currency against USD at 31 December would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

38.3.2 Interest rate risk

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

	Carrying amount	
	2009	2008
	(Rupees '000)	
Fixed rate instruments		
Financial assets	4,400,000	-
Financial liabilities	2,600,000	13,938,921
	<u>7,000,000</u>	<u>13,938,921</u>
Variable rate instruments		
Financial assets	7,977,897	6,755,864
Financial liabilities	5,813,900	5,457,217
	<u>13,791,797</u>	<u>12,213,081</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not hold any financial asset or liability at fair value through profit and loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2009		
Cash flow sensitivity-Variable rate instruments	<u>9,150</u>	<u>9,150</u>
	<u>9,150</u>	<u>9,150</u>
December 31, 2008		
Cash flow sensitivity-Variable rate instruments	<u>(18,892)</u>	<u>(18,892)</u>
	<u>(18,892)</u>	<u>(18,892)</u>

38.4 Fair values

Fair value versus carrying amounts

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

	Note	2009		2008	
		Carrying amount	Fair value	Carrying amount	Fair value
(Rupees '000)					
Assets carried at amortized cost					
Trade debts - net of provision	19	476,728	476,728	285,454	285,454
Deposits		77,593	77,593	17,197	17,197
Advances	20	17,359	17,359	9,583	9,583
Interest accrued		116,819	116,819	65,669	65,669
Due from GoP on account of DAP subsidy	22	-	-	12,440,060	12,440,060
Other receivables	23	230,797	230,797	471,513	471,513
Short term investments - loans and receivables	24	4,400,000	4,400,000	-	-
Cash and bank balances	25	9,648,031	9,648,031	7,941,524	7,941,524
		<u>14,967,327</u>	<u>14,967,327</u>	<u>21,231,000</u>	<u>21,231,000</u>
Assets carried at fair value					
Short term investments - Investments at fair value through profit or loss	24	<u>258,936</u>	<u>258,936</u>	-	-
Liabilities carried at amortized cost					
Loan, financing and morabaha	6, 7 & 8	5,869,038	5,869,038	6,972,862	6,972,862
Mark - up accrued		110,324	110,324	593,586	593,586
Trade and other payables	10	5,860,716	5,860,716	5,885,549	5,885,549
Short term borrowings	12	7,730,450	7,730,450	18,257,082	18,257,082
		<u>19,570,528</u>	<u>19,570,528</u>	<u>31,709,079</u>	<u>31,709,079</u>

The basis for determining fair values is as follows:

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the Government yield curve at the reporting date plus an adequate credit spread. The interest rate used to determine fair value of GOP loan is 15% (2008 : 18%). Since originally the loan is zero interest based, there is no difference in the carrying amount of the loan and fair value.

Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3
(Rupees '000)			
December 31, 2009			
Assets carried at fair value			
Short term investments - investment in mutual funds	258,936	-	-
December 31, 2008			
	-	-	-

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

38.5 Determination of fair values

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

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

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

Investment in associate

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

Non - derivative financial assets

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

Non-derivative financial liabilities

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

38.6 Capital management

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

39. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Fauji Fertilizer Company Limited (FFC) with 50.88 % holding (2008: 50.88%). FFC is sponsored by Fauji Foundation (FF) which holds 17.29 % shares (2008: 17.29 %) in the Company. Therefore all subsidiaries and associated undertakings of FF and FFC are related parties of the Company. In addition, Pakistan Maroc Phosphore S.A, Morocco is also a related party 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, 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 37 to the financial statements.

	2009	2008
	(Rupees '000)	
Transactions with the holding company		
Services and material acquired	564,061	339,691
Services and material provided	3,170	1,535
Commission charged to the Company	26,717	20,080
Dividend paid	1,710,839	684,336
Balance receivable at the year end - unsecured	161,203	413,529
Transactions with associated undertakings due to common directorship		
Goods sold	2,230	1,842
Rent charged to the Company	937	852
Dividend paid	581,405	240,995
Repayment of principal portion of long term finance	-	45,714
Financial charges	-	14,092
Investment	-	300,000
Loan balance payable at the year end - secured	-	114,286
Balance receivable at the year end - unsecured	-	1,842
Transactions with joint venture company		
Purchase of raw materials	13,187,963	26,717,686
Dividend received	95,389	-
Expenses incurred on behalf of joint venture company	20,423	23,930
Balance payable at the year end - secured (included in note 10)	2,412,237	4,212,313
Balance receivable at the year end - unsecured (included in note 23)	11,005	20,501
Other related parties		
Contribution to Provident Fund	22,632	17,874
Payment to Gratuity Fund	27,702	17,950
Payment to Workers' Profit Participation Fund	278,890	218,069
Balance payable at the year end - unsecured	333,291	262,094
Payable to Gratuity Fund	14,473	8,417

		2009	2008
		(Tonnes)	
40.	GENERAL		
40.1	Production capacity		
	Design capacity		
	Urea	551,100	551,100
	DAP	600,000	445,500
	Actual production		
	Urea	627,079	667,697
	DAP	540,096	470,999

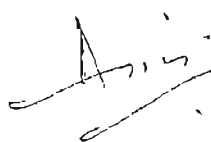
The shortfall in DAP production was mainly due to non-availability of required quantity of gas and turnaround during the year.

40.2 The Board of Directors in their meeting held on January 26, 2010 have proposed a final dividend of Rs. 2.25 per ordinary share.

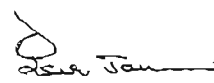
40.3 These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on January 26, 2010.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

Pattern of Shareholding

As at December 31, 2009

Number of Shares

1. Associated Companies, Undertaking and Related Parties	
Fauji Fertilizer Company Ltd	475,232,996
Fauji Foundation	161,501,286
2. NIT and ICP	
National Bank of Pakistan Trustee Deptt	2,574,090
IDBP (ICP UNIT)	500
NBP Trustee - NI(UT) (LOC) Fund	107,410
3. Directors, CEO and their spouse and minor children	
Lt Gen Hamid Rab Nawaz, HI(M), (Retd)	1
Lt Gen Anis Ahmed Abbasi, HI(M), (Retd)	1
Lt Gen Malik Arif Hayat HI(M), (Retd)	1
Mr Qaiser Javed	1
Brig Arif Rasul Qureshi, SI(M), (Retd)	1
Brig Rahat Khan SI(M), (Retd)	-
Dr Nadeem Inayat	-
Brig Liaqat Ali, TI(M), (Retd)	1
Brig Jawaid Rashid Dar, SI(M), (Retd)	1
4. Company Executives	386,854
5. Public Sector Companies and Corporations	
6. Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	-
7. Shareholders holding ten percent or more voting interest	
Fauji Fertilizer Company Ltd	475,232,996
Fauji Foundation	161,501,286

	Categories	Shareholders	Shares	Percentage
1	Individual	15410	133,752,984	14.32
2	Investment Companies	13	893,247	0.10
3	Insurance Companies	18	6,467,878	0.69
4	Joint Stock Companies	180	495,802,458	53.08
5	Financial Institutions	32	51,362,910	5.50
6	Modarabas	12	502,401	0.05
7	Foreign Companies	11	289,000	0.03
8	Co-op Societies	3	180,304	0.02
9	Leasing Companies	5	521,000	0.06
10	Charitable Trusts	17	171,234,532	18.33
11	Mutual Funds	26	29,359,746	3.14
12	Others	55	43,743,540	4.68
	Total	15782	934,110,000	100.00

Number of Shareholders	From	Shareholding	To	Total Shares Held
790	1	-	100	44,325
4,068	101	-	500	1,868,957
3,211	501	-	1,000	2,710,378
4169	1,001	-	5,000	11,833,376
1398	5,001	-	10,000	11,215,093
524	10,001	-	15,000	6,700,972
336	15,001	-	20,000	6,249,567
231	20,001	-	25,000	5,432,988
146	25,001	-	30,000	4,142,355
83	30,001	-	35,000	2,718,570
87	35,001	-	40,000	3,357,897
36	40,001	-	45,000	1,550,040
129	45,001	-	50,000	6,336,515
41	50,001	-	55,000	2,142,856
42	55,001	-	60,000	2,468,388
32	60,001	-	65,000	2,024,436
19	65,001	-	70,000	1,297,187
30	70,001	-	75,000	2,195,083
21	75,001	-	80,000	1,662,268
11	80,001	-	85,000	918,295
19	85,001	-	90,000	1,693,312
8	90,001	-	95,000	752,000
52	95,001	-	100,000	5,186,548
12	100,001	-	105,000	1,241,427
11	105,001	-	110,000	1,204,910
6	110,001	-	115,000	678,620
11	115,001	-	120,000	1,293,448
11	120,001	-	125,000	1,368,413
9	125,001	-	130,000	1,161,965
4	130,001	-	135,000	529,621
10	135,001	-	140,000	1,377,977
3	140,001	-	145,000	431,169
9	145,001	-	150,000	1,343,148

Pattern of Shareholding

As at December 31, 2009

Number of Shareholders	From	Shareholding	To	Total Shares Held
2	150,001	-	155,000	304,304
2	155,001	-	160,000	317,000
1	160,001	-	165,000	164,536
6	165,001	-	170,000	1,001,852
7	170,001	-	175,000	1,214,268
2	175,001	-	180,000	360,000
1	180,001	-	185,000	183,100
2	185,001	-	190,000	378,000
5	190,001	-	195,000	965,752
21	195,001	-	200,000	4,189,408
2	200,001	-	205,000	404,173
2	210,001	-	215,000	426,736
2	215,001	-	220,000	437,500
3	220,001	-	225,000	667,799
4	225,001	-	230,000	914,124
1	230,001	-	235,000	231,604
3	240,001	-	245,000	729,000
6	245,001	-	250,000	1,500,000
3	250,001	-	255,000	756,000
3	255,001	-	260,000	777,000
6	260,001	-	265,000	1,575,604
2	270,001	-	275,000	550,000
1	280,001	-	285,000	284,000
1	285,001	-	290,000	290,000
7	295,001	-	300,000	2,095,216
1	300,001	-	305,000	300,500
1	305,001	-	310,000	307,000
2	310,001	-	315,000	623,500
1	315,001	-	320,000	320,000
3	320,001	-	325,000	972,000
2	330,001	-	335,000	663,500
3	335,001	-	340,000	1,013,304
1	340,001	-	345,000	343,599
2	345,001	-	350,000	700,000
2	365,001	-	370,000	738,500

	Number of Shareholders	From	Shareholding	To	Total Shares Held
	4	370,001	-	375,000	1,494,641
	2	380,001	-	385,000	769,000
	3	395,001	-	400,000	1,197,120
	2	400,001	-	405,000	805,158
	3	405,001	-	410,000	1,230,000
	1	415,001	-	420,000	420,000
	2	430,001	-	435,000	865,500
	3	445,001	-	450,000	1,350,000
	1	470,001	-	475,000	470,340
	1	475,001	-	480,000	480,000
	1	490,001	-	495,000	495,000
	7	495,001	-	500,000	3,498,000
	1	505,001	-	510,000	510,000
	1	520,001	-	525,000	523,500
	1	530,001	-	535,000	534,000
	2	535,001	-	540,000	1,079,500
	3	545,001	-	550,000	1,650,000
	1	570,001	-	575,000	575,000
	1	595,001	-	600,000	600,000
	1	600,001	-	605,000	605,000
	1	610,001	-	615,000	613,500
	1	620,001	-	625,000	625,000
	1	640,001	-	645,000	642,500
	2	645,001	-	650,000	1,298,506
	1	665,001	-	670,000	666,000
	1	675,001	-	680,000	680,000
	1	695,001	-	700,000	700,000
	1	700,001	-	705,000	702,500
	1	755,001	-	760,000	756,500
	2	795,001	-	800,000	1,600,000
	1	840,001	-	845,000	841,000
	1	865,001	-	870,000	869,049
	1	890,001	-	895,000	895,000
	1	920,001	-	925,000	922,000
	1	930,001	-	935,000	931,200
	1	945,001	-	950,000	950,000

Pattern of Shareholding

As at December 31, 2009

Number of Shareholders	From	Shareholding	To	Total Shares Held
1	965,001	-	970,000	965,656
4	995,001	-	1,000,000	4,000,000
2	1,095,001	-	1,100,000	2,198,200
1	1,125,001	-	1,130,000	1,130,000
1	1,135,001	-	1,140,000	1,136,204
1	1,145,001	-	1,150,000	1,150,000
1	1,160,001	-	1,165,000	1,161,000
1	1,195,001	-	1,200,000	1,200,000
1	1,395,001	-	1,400,000	1,400,000
2	1,495,001	-	1,500,000	3,000,000
2	1,500,001	-	1,505,000	3,001,222
1	1,535,001	-	1,540,000	1,535,657
1	1,595,001	-	1,600,000	1,600,000
1	1,815,001	-	1,820,000	1,812,236
1	2,190,001	-	2,195,000	2,191,500
1	2,510,001	-	2,515,000	2,514,767
1	2,570,001	-	2,575,000	2,573,090
1	2,920,001	-	2,925,000	2,924,531
1	3,050,001	-	3,055,000	3,052,500
1	3,710,001	-	3,715,000	3,714,590
1	3,965,001	-	3,970,000	3,968,955
1	4,090,001	-	4,095,000	4,092,674
1	4,140,001	-	4,145,000	4,143,000
1	4,255,001	-	4,260,000	4,256,926
1	4,265,001	-	4,270,000	4,267,561
1	4,570,001	-	4,575,000	4,573,280
1	4,795,001	-	4,800,000	4,800,000
1	6,275,001	-	6,280,000	6,277,000
1	8,195,001	-	8,200,000	8,198,472
1	8,995,001	-	9,000,000	9,000,000
1	10,020,001	-	10,025,000	10,025,000
1	12,375,001	-	12,380,000	12,376,700
1	24,455,001	-	24,460,000	24,459,500
1	161,500,001	-	161,505,000	161,501,286
1	475,230,001	-	475,235,000	475,232,996
15782				934,110,000

FORM OF PROXY

16th Annual General Meeting

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

I/We _____
of _____
being a member(s) of Fauji Fertilizer Bin Qasim Limited hold _____ ordinary shares
hereby appoint Mr / Mrs / Miss _____ of _____ or
failing him / her _____ of _____ as my / our proxy in
my / our absence to attend and vote for me / us on my / our behalf at the 16th Annual General Meeting of
the Company to be held on 16 March 2010 and / or any adjournment thereof.
In witness thereof I / We have signed and set my / our hand seal thereon this _____
day of _____ 2010 in the presence of _____.

Folio	CDC Account No.	
	Participant ID	Sub Account No.

**Signature on
Five Rupees
Revenue Stamp**

**This signature should agree with the
specimen registered with the Company**

IMPORTANT

1. This Proxy Form, duly completed and signed, must be deposited at the registered office of the Company, 73-Harley Street, Rawalpindi not less than 48 hours before the time of holding 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.
3. For CDC account holders / Corporate Entities

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

- i) Attested copies of CNICs or the passport of the beneficial owners shall be provided with the proxy form.
- ii) The proxy shall produce his / her original CNIC of passport at the time of the meeting.
- iii) In case of a Corporate Entity, the Board of Directors resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the

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

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Fauji Fertilizer Bin Qasim Limited
73 - Harley Street, Rawalpindi
Phone: (051) 9272198-97
Fax: (051) 9272198-99
E-mail: info@ffbl.com

