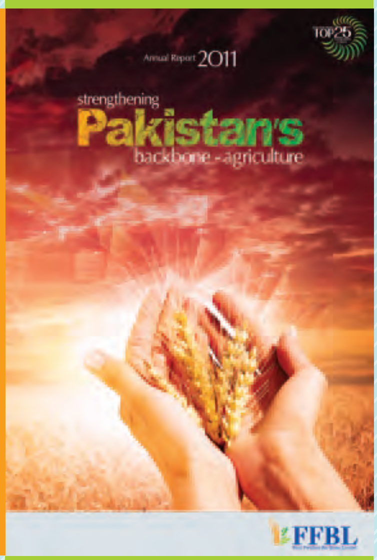
FFBL NOW AMONG TOP25 Companies of Pakistan

Annual Report 2011

strengthening Pakistan's backbone - agriculture

FFBL
Fauji Fertilizer Bin Qasim Limited



Strengthening Pakistan

At FFBL, we gauge our performance from the contributions we make to the farmer. For us, it is a matter of great pride that we serve by contributing to the nation's exchequer in a big way. As a leading fertilizer producing company, we excel by setting newest benchmarks of standard, by challenging our own records. This makes our team feel great. We are proud to be part of endeavors aimed at making Pakistan thrive and be self-reliant, especially in the realm of agriculture, Pakistan's backbone.

company standing

REVENUE
29%
Up by Last Year

PROFIT AFTER TAX
65%
Up by Last Year

EARNINGS PER SHARE
65%
Up by Last Year

DIVIDEND DECLARED
53%
Up by Last Year

PAID TO NATIONAL EXCHEQUER
137%
Up by Last Year

about inside

our aspirations

Today among the leading ones, tomorrow the leader

corporate information

Directors

- Lt Gen Muhammad Mustafa Khan, HI(M), (Retired)
  Chairman
- Lt Gen Muhammad Zaki, HI, HI(M), (Retired)
  Chief Executive & Managing Director
- Lt Gen Malik Arif Hayat, HI(M), (Retired)
- Mr Qaiser Javed
- Dr Nadeem Inayat
- Brig Liaqat Ali, TI(M), (Retired)
- Brig Jawaid Rashid Dar, SI(M), (Retired)
- Brig Parvez Sarwar Khan, SI(M), (Retired)
- Brig Dr Gulfam Alam, SI(M), (Retired)
- Mr Naved A. Khan
- Mr Nasier A. Sheikh
- Dr Rashid Bajwa

Company Secretary

Brig Shaukat Yaqub Malik, SI(M), (Retired)

Chief Financial Officer

Syed Aamir Ahsan

Registered Office
73-Harley Street, Rawalpindi.
Tel : (051) 9272196-97
Fax : (051) 9272198-99
E-mail : secretary@ffbl.com
Web : http://www.ffbl.com

Plantsite
Plot No. EZ/I/P-1 Eastern Zone,
Port Qasim, Karachi 75020.
Tel : (021) 34724500-29
Fax : (021) 34750704
Email : information@ffbl.com

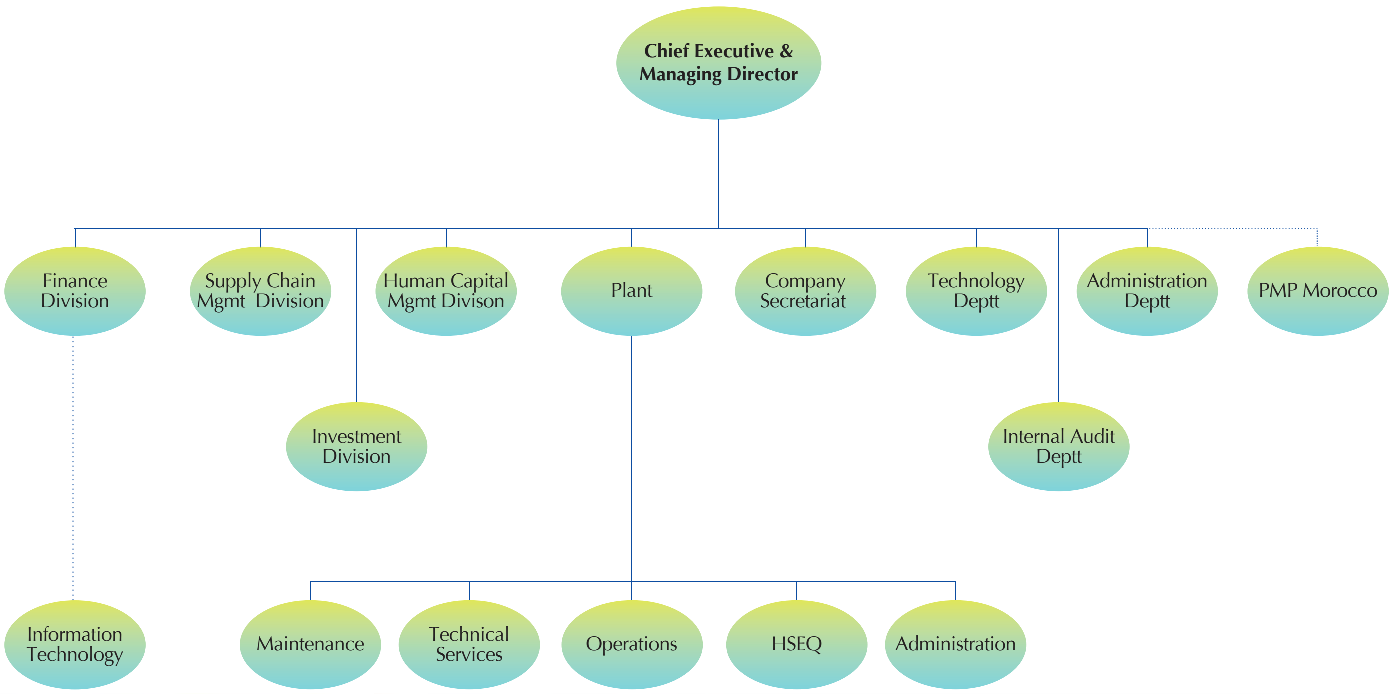
Shares Registrar
M/s Corplink (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore.
Tel : (042) 35839182
Fax : (042) 35869037

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

Legal Advisors
Orr Dignam & Co Advocates,
3-A, Street 32, Sector F-8/1,
Islamabad.

Web Presence
Updated Company's Information
alongwith the latest Annual Report
can be accessed at www.ffbl.com

corporate structure



vision & mission
statement

vision

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

mission

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


O2
O2
O2
O2
O2

FFBL NOW AMONG TOP 25 Companies of Pakistan

corporate strategy

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

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

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

soaring high

KSE declares Fauji Fertilizer Bin Qasim Limited as the 4th best Company of Pakistan!

FFBL's pride

- **Sole producer of DAP & Granular Urea**
  Fueling Pakistan's Agriculture
- **Ammonia BMR – 2006 & 2007**
  Increased capacity by 24%
- **DAP Revamp – 2008**
  Increased capacity by 51%
- **Offshore Investment – PMP Morocco**
  First offshore direct investment
- **Implementation of SAP & ITET**
  Excellence through technological integration
- **Environment Friendly**
  Implementation of environment friendly processes

strategic goals

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

FFBL makes history

highest-ever results

Earnings After Tax

Rs 10.8 Billion

Dividend Declared

Rs 9.3 Billion

Yearly Production DAP

662

Thousnad Tonnes

Contribution to National Exchequer

Rs 15.4 Billion

Income From Treasury Operations

Rs 1.4 Billion

Sales Revenue

Rs 55.9 Billion

Yearly Sales DAP

663

Thousand Tonnes

Earnings Per Share

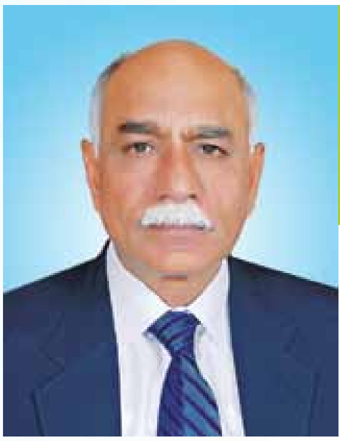
Rs 11.53

board's profile

Lt Gen Muhammad Mustafa Khan
HI(M), (Retired), Chairman

Lt Gen Muhammad Mustafa Khan, HI(M), (Retd), was commissioned in Pakistan Army in April 1974. During his long meritorious service in the Army, the General officer had been employed on various Command, Staff and Instructional assignments including the prestigious appointment as Chief of General Staff and Corps Commander of a Strike Corps/Commander Central Command. The General is a Graduate of Command and Staff College Quetta and Command & Staff College Fort Leavenworth USA. He is also a graduate of Armed Forces War College, Islamabad (National Defence University) and Senior Executive Course from USA and holds Master Degrees in War Studies and International Relations. In recognition of his meritorious services, he has been conferred the award of Hilal-e-Imtiaz (Military). The General brings along a vast and diversified experience in operational, administration, management, assessment and evaluation systems up to various levels of Command. An avid reader and keen golfer.

Lt Gen Muhammad Zaki
HI, HI(M), (Retired), CE & MD



Lt Gen Muhammad Zaki, HI, HI(M), (Retd) is the Chief Executive & Managing Director of Fauji Fertilizer Bin Qasim Limited. He was commissioned in the Army on 12 Dec 1971. He is a graduate of Command and Staff College, Quetta and National Defense University, Islamabad. The General Officer had eminent career in the Army, serving on various Command and Staff assignments. Has commanded an Infantry Division. In recognition to his outstanding services, he was awarded Hilal-e-Imtiaz, (HI) and Hillal-e-Imtiaz Military, HI(M).

Lt Gen Malik Arif Hayat

HI(M), (Retired), Director

Lt Gen Malik Arif Hayat, HI(M), (Retd) is the Chief Executive and Managing Director of Fauji Fertilizer Company Limited. He was commissioned in the Army in 1971. He is a graduate of Command and Staff College, Quetta and National Defence University, Islamabad. Has served on various Command, Staff & Instructional assignments in his illustrious career in the Army including the important appointments of Director General Command, Control and Communication, Computer & Intelligence(C4I) at GHQ and Commandant Command and staff College Quetta. He has also commanded an Infantry Division.

Mr Qaiser Javed

Director

Mr Qaiser Javed is a Fellow Member of Institute of Chartered Accountants of Pakistan and Institute of Taxation Management of Pakistan. He joined Fauji Foundation in 1976. Presently he is holding the position of Director Finance. He is a member of Board of Directors of Pakistan Maroc Phosphore S.A. In addition to being a Director on the FFBL Board, he is also the Chairman of Audit Committee.

Dr Nadeem Inayat

Director

Dr Nadeem Inayat is an outstanding professional, having rich experience in managing, operating and advising investment portfolio to top tier Banks and organizations of the Country at senior level. Presently he is holding the position of Corporate Advisor and Head of Investment Division in Fauji Foundation. He is a member of FFBL Board since July 2006. He is also a member of Board of Directors of Pakistan Maroc Phosphore S.A.

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

Brig Liaquat Ali TI(M), (Retd) is Director Human Resources & Administration at Fauji Foundation. He is graduate of Command and Staff College, Quetta. He is a member of FFBL Board of Directors since 1st Dec 2008. He is also the Chairman of Technical Committee.

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

Brig Jawaid Rashid Dar, SI(M) (Retd) had a distinguished career of serving Army, spanning over 34 years. He held varied Command, Staff and Instructional appointments. He is a graduate of Command and Staff College Quetta, School of Armour Foxt Knox, USA and National Defence University, Islamabad. He commanded a Brigade. In recognition to his outstanding services, he was awarded Sitara-e-Imtiaz (Military). At present, he is working as Director Welfare (Health) Fauji Foundation Head Office, Rawalpindi.

Brig Parvez Sarwar Khan
SI(M), (Retired), Director

Brig Parvez Sarwar Khan, SI(M) (Retd) is Director Industries of Fauji Foundation. He is graduate of Command and Staff College, Quetta and the National Defence University Islamabad. He served on varied Command, Staff and Instructional appointments. In recognition of his outstanding services, has been awarded Sitara-e-Imitiaz (Military).

Brig Dr Gulfam Alam
SI(M), (Retired), Director

Brig Dr Gulfam Alam, SI(M), (Retd), was commissioned in the Pakistan Army Corps of Engineers on 14 Apr 1978. The Officer holds BSc (Civil Engineering) from Pakistan, MSc (Civil Engineering) and PhD (Structural engineering) from University of ILLINOIS (USA). The Officer retired from Pakistan Army on 10 Jul 2011. During tenure of Military service the officer was employed on varied assignments (mostly related to Civil engineering), notable amongst which are Teaching Assignment at NUST, Deputy Group Command in Frontier Works Organization and Director Planning and Works at Engineer-in-Chief Branch, GHQ. Presently the officer is employed with Fauji Foundation as Director (Planning and Development). In addition he is a Project Director of Foundation Wind Power Company Limited, which is currently engaged in establishing Wind Power Projects in Pakistan. The officer is also a Director of Board of Directors of subsidiaries and associated companies of Fauji Foundation.

Mr Naved A. Khan
Director

Mr Naved A. Khan is President & CEO at Faysal Bank Ltd and has over 24 years of work experience with 20 years of broad-based and varied Corporate and Investment Banking experience. His last assignment was as CEO-ABN AMRO Bank Pakistan Ltd. Prior to joining ABN AMRO, he has been associated in senior management positions with Bank of America, Pakistan. He did MBA from Butler University, USA. He was the President of Pakistan Banks Association for 2006 & 2007. He is currently the Vice President of Institute of Banker's Pakistan (IBP). He is also the chairman of ECH Task Force, SBP; Vice President of Management Committee of OICCI and Chairman of OICCI's Banking, Leasing and Insurance Sub Committee; Member of the Board of KSEW and Board Member of Rotary Club of Karachi Metropolitan.

Mr Nasier A. Sheikh
Director

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

Dr Rashid Bajwa
Director

Dr Rashid Bajwa is a MBBS, Gold Medalist and College color holder of King Edward Medical College, Lahore as well as Distinction with HM Queen's commendation in MPH Nuffield Institute for Health, University of Leeds, UK. He is also MD, ECFMG, USA. He has professional experience of development specialist with experience of nonprofit corporate sector and Government. Chief Executive Officer, National Rural Support Programme (NRSP) 1996- to date. Worked as Senior Advisor of Khushaali Bank Pakistan. He is Ex-Member of Civil Service of Pakistan (DMG) 1986 -93, worked at all levels of the Government.
Financial management for non-profit FIPED, Kennedy School of Government, Harvard University, USA, 2007.
Joined as a Director with Fauji Fertilizer Bin Qasim Limited with effect from 26 Aug 2010.

Brig Shaukat Yaqub Malik
SI(M), (Retired), Company Secretary

Brig Shaukat Yaqub Malik, SI(M), (Retd) commissioned on 19 Oct 1976, the Brigadier held a distinguished career of 31 years in Pak Army. Has served on varied Command, Staff and Instructional appointments. He is a graduate of Command & Staff College, Quetta and College of Electrical and Mechanical Engineering, Rawalpindi. Has also commanded a Brigade. In recognition to his outstanding services, has been awarded Sitara-e-Imtiaz Military SI(M). After retirement, has served in private sector for 2 years. He is also Chartered Member of Institute of Logistic and Transport (UK). He joined FFBL with effect from 8 Sep 2011.

Syed Aamir Ahsan
Chief Financial Officer

Syed Aamir Ahsan, is currently serving as Chief Financial Officer / General Manager Finance in Fauji Fertilizer Bin Qasim Limited. He is a graduate from the University of South Florida, USA. He is a Certified Public Accountant (CPA) from the University of Illinois, USA.
He has a rich professional experience and has served with South West Florida Regional Medical Center in Florida USA as Budget and Review Manager from 1988 to 1993. After returning from USA he joined Engro Chemical Pakistan Limited and served with them in various capacities from 1993 to 2002.

corporate core values

Corporate Image

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

Safety and Health

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

Confidentiality

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

Stakeholders

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

Respect for people & team work

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

Integrity and Honesty

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

Dedication to Quality

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

Legal/Compliance Obligations

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

operating highlights

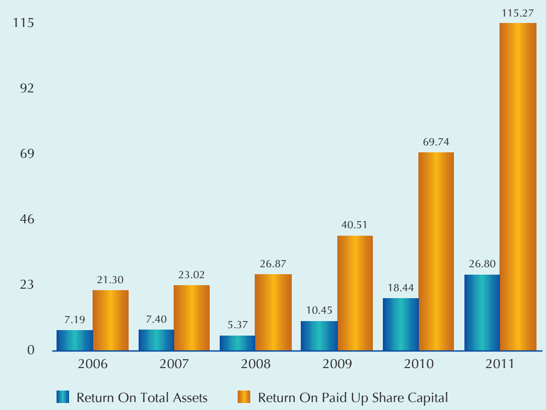
FINANCIAL PERFORMANCE		2011	2010	2009	2008	2007	2006
Profitability							
Gross profit margin	(%)	**36.00**	31.12	26.32	30.67	39.39	31.85
EBITDA margin to sales	(%)	**33.28**	27.59	23.10	31.27	45.63	35.08
Pre tax margin	(%)	**28.94**	22.39	15.82	16.42	31.85	25.54
Net profit margin	(%)	**19.27**	15.06	10.30	10.81	20.75	16.62
Return on paid up share capital	(%)	**115.27**	69.74	40.51	26.87	23.02	21.30
Return on equity	(%)	**78.96**	53.35	35.50	27.65	29.85	28.64
Return on capital employed	(%)	**63.80**	40.46	24.53	17.73	16.40	14.70
Cash flow from operations to sales	(%)	**14.95**	17.08	56.48	(35.63)	29.84	15.37
Operating Performance / Liquidity							
Return on total assets	(%)	**26.80**	18.44	10.45	5.37	7.40	7.19
Total assets turnover	(Times)	**1.39**	1.22	1.01	0.57	0.42	0.53
Fixed assets turnover	(Times)	**3.86**	2.94	2.36	1.69	0.74	0.99
Debtors turnover	(Times)	**31.03**	58.87	54.97	53.13	26.68	31.63
Debtors turnover	(Days)	**12**	6	7	7	14	12
Creditors turnover	(Times)	**6.53**	8.58	7.20	6.41	5.83	6.44
Creditors turnover	(Days)	**56**	43	51	57	63	57
Inventory turnover	(Times)	**15.29**	23.86	7.77	5.94	10.69	10.99
Inventory turnover	(Days)	**24**	15	47	61	34	33
Operating cycle	(Days)	**(20)**	(21)	3	11	(15)	(12)
Current ratio	(Times)	**1.17**	1.19	1.10	1.09	1.17	1.34
Quick / Acid test ratio	(Times)	**0.90**	0.98	0.92	0.82	0.97	1.15
Cash & cash equivalent to current liabilities	(Times)	**0.34**	0.91	0.84	0.30	0.56	0.86
Capital Market / Capital Structure Analysis							
Earnings per share (pre-tax)	(Rs)	**17.31**	10.37	6.22	4.72	4.18	4.02
Earnings per share (after-tax)	(Rs)	**11.53**	6.97	4.05	3.10	2.72	2.62
Earning growth	(%)	**65.42**	72.20	30.51	14.16	3.82	-
Break up value	(Rs)	**14.60**	13.07	11.41	11.23	9.11	9.14
Dividend yield ratio	(%)	**23.57**	18.33	15.31	22.09	5.95	8.83

FINANCIAL PERFORMANCE		2011	2010	2009	2008	2007	2006
Price earning ratio	(Times)	**3.68**	5.13	6.45	4.16	15.46	10.81
Market price per share	(Rs)	**42.43**	35.73	26.13	12.90	42.05	28.30
Debt : Equity		**19:81**	24:76	31:69	36:64	45:55	49:51
Interest cover ratio	(Times)	**15.86**	11.37	4.98	2.58	7.19	10.11
Earning yield ratio	(%)	**27.17**	19.51	15.50	24.06	6.47	9.25
Market capitalisation	(Rs (M))	**39,634**	33,376	24,408	12,050	39,279	26,435
Corporate Distribution							
Dividend per share - Interim	(Rs)	**6.50**	3.05	1.75	0.60	1.50	1.25
Dividend per share - Proposed Final	(Rs)	**3.50**	3.50	2.25	2.25	1.00	1.25
Dividend payout ratio	(%)	**86.73**	93.97	98.73	91.94	91.90	95.42
Dividend cover ratio	(%)	**115.27**	106.41	101.25	108.92	108.77	104.69
HISTORICAL TRENDS							
Trading Results			Rs in Million				
Sales - net		**55,869**	43,257	36,725	26,821	12,243	14,707
Gross profit		**20,116**	13,463	9,665	8,226	4,823	4,684
Profit before taxation		**16,170**	9,686	5,808	4,405	3,900	3,757
EBITDA		**18,591**	11,934	8,485	8,387	5,586	5,159
Profit after taxation		**10,767**	6,514	3,784	2,900	2,540	2,445
Financial Position							
Shareholders' equity		**13,636**	12,210	10,660	10,486	8,509	8,538
Non current assets		**17,243**	17,018	17,782	18,279	17,884	16,358
Working capital		**3,273**	2,929	1,697	2,273	1,591	2,893
Non current liabilities		**6,881**	7,737	8,818	10,066	10,967	10,714
Summary of Cash Flows							
Net cash generated from / (used in) operating activities		**8,354**	7,388	20,744	(9,557)	3,653	2,261
Net cash (used in) / generated from investing activities		**(7,508)**	871	(266)	1,975	(3,966)	(2,019)
Net cash used in financing activities		**(7,836)**	(4,633)	(3,845)	(2,209)	(2,916)	(2,233)
Net (decrease) / increase in cash and cash equivalents		**(6,990)**	3,626	16,633	(9,791)	(3,229)	(1,991)

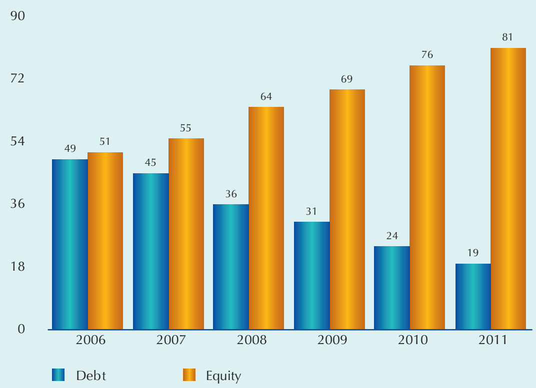
financial highlights

Assets Turnover
Times

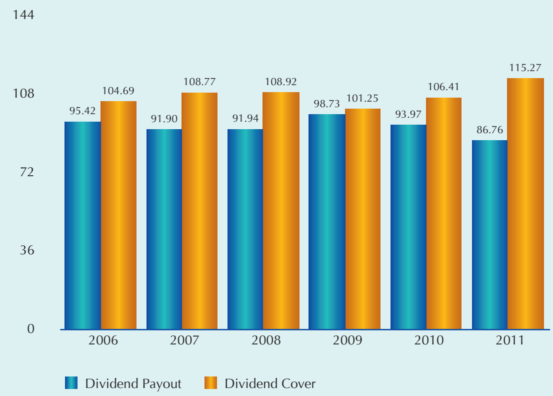
Performance
Percentage



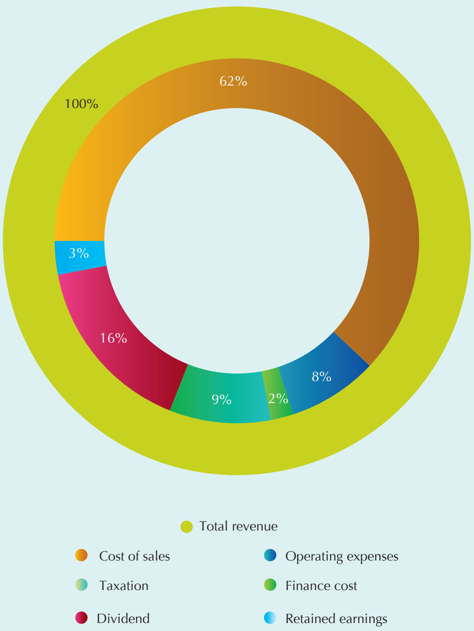
Debt : Equity



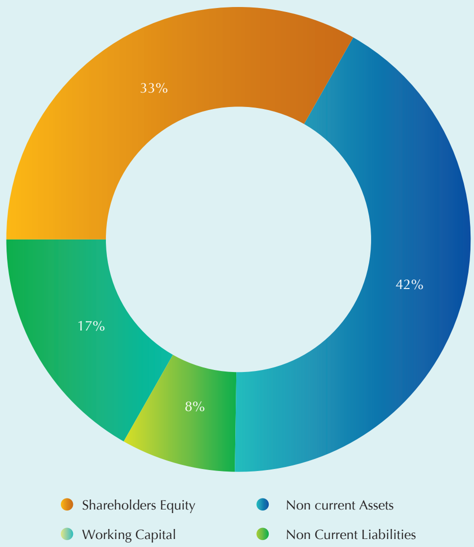
Dividend Payout & Cover
Percentage



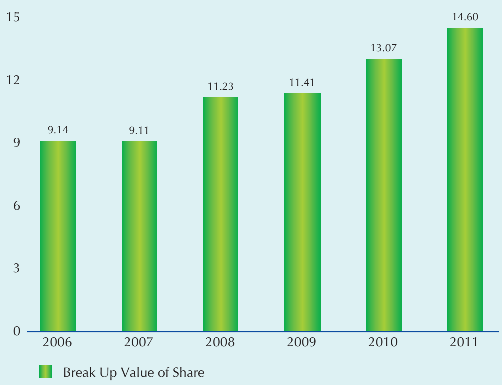
Operating Results 2011
Percentage



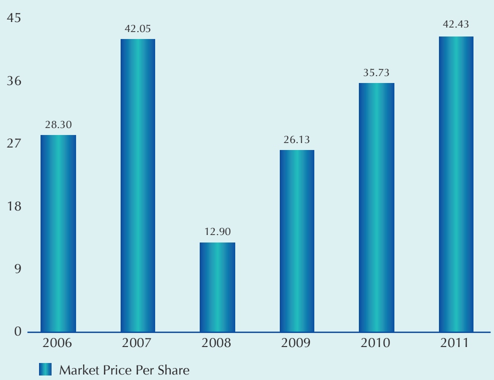
Financial Position 2011
Percentage



Break Up Value of Share
Rupees



Market Price Per Share
Rupees



Horizontal & Vertical Analysis

Rs Million

HORIZONTAL ANALYSIS BALANCE SHEET	2011 Rs	11 Vs. 10 %	2010 Rs	10 Vs. 09 %	2009 Rs	09 Vs. 08 %	2008 Rs	08 Vs. 07 %	2007 Rs	07 Vs. 06 %	2006 Rs	06 Vs. 05 %
EQUITY AND LIABILITIES												
Equity												
Share capital	**9,341**	**-**	9,341	-	9,341	-	9,341	-	9,341	-	9,341	-
Reserves	**919**	**-**	919	(1.39)	932	16.50	800	250.88	228	-	228	-
Accumulated gain / (loss)	**3,376**	**73.13**	1,950	403.88	387	12.17	345	(132.52)	(1,061)	2.81	(1,032)	(43.97)
	13,636	**11.68**	12,210	14.54	10,660	1.66	10,486	23.25	8,508	(0.34)	8,537	10.48
Non-Current liabilities												
Long term liabilities	**3,241**	**(16.66)**	3,889	(18.38)	4,765	(18.81)	5,869	(15.83)	6,973	(13.70)	8,080	(12.05)
Deferred liabilities	**3,640**	**(5.41)**	3,848	(5.06)	4,053	(3.43)	4,197	5.08	3,994	51.63	2,634	99.24
	6,881	**(11.06)**	7,737	(12.26)	8,818	(12.40)	10,066	(8.22)	10,967	2.36	10,714	1.95
Current liabilities												
Trade creditors, other payables & taxation	**11,331**	**30.17**	8,705	11.56	7,803	24.54	6,265	154.27	2,464	(8.23)	2,685	(7.60)
Interest and mark - up accrued	**204**	**30.77**	156	41.82	110	(81.48)	594	379.03	124	18.10	105	11.70
Short term borrowings	**7,476**	**32.25**	5,653	(26.87)	7,730	(57.66)	18,257	210.76	5,875	29.63	4,532	102.59
Current portion of long term loan	**648**	**(25.94)**	875	(20.74)	1,104	-	1,104	(0.27)	1,107	-	1,107	(0.09)
	19,659	**27.75**	15,389	(8.11)	16,747	(36.13)	26,220	173.98	9,570	13.54	8,429	32.84
	40,176	**13.70**	35,336	(2.45)	36,225	(22.55)	46,772	61.03	29,045	4.93	27,680	12.61
ASSETS												
Non-Current Assets												
Fixed assets	**14,456**	**(1.71)**	14,707	(5.59)	15,577	(1.70)	15,847	(3.71)	16,458	10.23	14,930	2.52
Long term investments	**2,711**	**21.30**	2,235	5.03	2,128	(11.96)	2,417	71.30	1,411	-	1,411	92.23
Long term deposits & prepayments	**76**	**-**	76	(1.30)	77	413.33	15	-	15	(11.76)	17	-
	17,243	**1.32**	17,018	(4.30)	17,782	(2.72)	18,279	2.21	17,884	9.33	16,358	6.82
Current Assets												
Stores, spares and loose tools	**1,906**	**0.21**	1,902	2.81	1,850	30.01	1,423	12.31	1,267	58.97	797	38.13
Stock in trade	**3,407**	**168.06**	1,271	3.59	1,227	(78.39)	5,677	865.48	588	(26.59)	801	(21.70)
Trade debts	**647**	**(22.05)**	830	74.00	477	67.37	285	16.80	244	5.63	231	100.87
Loans and advances	**491**	**330.70**	114	2.70	111	70.77	65	(18.75)	80	31.15	61	60.53
Deposits and prepayments	**13**	**(7.14)**	14	180.00	5	-	5	(44.44)	9	80.00	5	66.67
Other receivables	**2,246**	**935.02**	217	(53.43)	466	(96.44)	13,096	925.53	1,277	(24.39)	1,689	191.71
Short term investments	**8,838**	**607.04**	1,250	(73.17)	4,659	-	-	(100.00)	3,895	675.90	502	-
Cash and bank balances	**5,385**	**(57.67)**	12,720	31.84	9,648	21.48	7,942	108.95	3,801	(47.47)	7,236	4.39
	22,933	**25.19**	18,318	(0.68)	18,443	(35.27)	28,493	155.29	11,161	(1.42)	11,322	22.18
	40,176	**13.70**	35,336	(2.45)	36,225	(22.55)	46,772	61.03	29,045	4.93	27,680	12.61

Rs Million

PROFIT & LOSS	2011 Rs	11 Vs. 10 %	2010 Rs	10 Vs. 09 %	2009 Rs	09 Vs. 08 %	2008 Rs	08 Vs. 07 %	2007 Rs	07 Vs. 06 %	2006 Rs	06 Vs. 05 %
Turnover	**55,869**	**29.16**	43,257	17.79	36,725	36.93	26,821	119.07	12,243	(16.75)	14,707	3.17
Cost of Sales	**35,753**	**20.00**	29,794	10.10	27,060	45.52	18,595	150.61	7,420	(25.97)	10,023	3.42
Gross profit	**20,116**	**49.42**	13,463	39.30	9,665	17.49	8,226	70.56	4,823	2.97	4,684	2.65
Selling & distribution expenses	**2,554**	**(1.20)**	2,585	15.61	2,236	25.83	1,777	66.23	1,069	(24.72)	1,420	12.88
Administrative expenses	**777**	**11.00**	700	74.56	401	93.72	207	58.02	131	27.18	103	(9.65)
	16,785	**64.91**	10,178	44.82	7,028	12.59	6,242	72.29	3,623	14.62	3,161	(0.94)
Finance cost	**1,088**	**16.49**	934	(36.03)	1,460	(47.71)	2,792	342.47	631	52.78	413	58.85
Other operating expenses	**1,177**	**65.08**	713	60.95	443	(21.59)	565	64.24	344	41.56	243	42.94
	14,520	**70.20**	8,531	66.46	5,125	77.64	2,885	8.95	2,648	5.71	2,505	(9.27)
Other operating income	**1,650**	**42.98**	1,154	68.96	683	(55.07)	1,520	21.41	1,252	-	1,252	8.49
Profit before taxation	**16,170**	**66.96**	9,685	66.75	5,808	31.85	4,405	12.95	3,900	3.81	3,757	(4.04)
Taxation	**5,403**	**70.39**	3,171	56.67	2,024	34.49	1,505	10.66	1,360	3.66	1,312	(10.50)
Profit after taxation	**10,767**	**65.29**	6,514	72.15	3,784	30.48	2,900	14.17	2,540	3.89	2,445	(0.16)

FFBL
Fauji Fertilizer Bin Qasim Limited

Rs Million

VERTICAL ANALYSIS BALANCE SHEET	2011 Rs	2011 %	2010 Rs	2010 %	2009 Rs	2009 %	2008 Rs	2008 %	2007 Rs	2007 %	2006 Rs	2006 %
EQUITY AND LIABILITIES												
Equity												
Share capital	**9,341**	**23.25**	9,341	26.43	9,341	25.79	9,341	19.97	9,341	32.16	9,341	33.75
Reserves	**919**	**2.29**	919	2.60	932	2.57	800	1.71	228	0.78	228	0.82
Accumulated gain / (loss)	**3,376**	**8.40**	1,950	5.52	387	1.07	345	0.74	(1,061)	(3.65)	(1,032)	(3.73)
	13,636	**33.94**	12,210	34.55	10,660	29.43	10,486	22.42	8,508	29.29	8,537	30.84
Non-Current liabilities												
Long term liabilities	**3,241**	**8.07**	3,889	11.01	4,765	13.15	5,869	12.55	6,973	24.01	8,080	29.19
Deferred liabilities	**3,640**	**9.06**	3,848	10.89	4,053	11.19	4,197	8.97	3,994	13.75	2,634	9.52
	6,881	**17.13**	7,737	21.90	8,818	24.34	10,066	21.52	10,967	37.76	10,714	38.71
Current liabilities												
Trade creditors, other payables & taxation	**11,331**	**28.20**	8,705	24.63	7,803	21.54	6,265	13.40	2,464	8.48	2,685	9.70
Interest and mark - up accrued	**204**	**0.51**	156	0.44	110	0.30	594	1.27	124	0.43	105	0.38
Short term borrowings	**7,476**	**18.61**	5,653	16.00	7,730	21.34	18,257	39.03	5,875	20.23	4,532	16.37
Current portion of long term loan	**648**	**1.61**	875	2.48	1,104	3.05	1,104	2.36	1,107	3.81	1,107	4.00
	19,659	**48.93**	15,389	43.55	16,747	46.23	26,220	56.06	9,570	32.95	8,429	30.45
	40,176	**100.00**	35,336	100.00	36,225	100.00	46,772	100.00	29,045	100.00	27,680	100.00
ASSETS												
Non-Current Assets												
Fixed assets	**14,456**	**35.98**	14,707	41.62	15,577	43.00	15,847	33.88	16,458	56.66	14,930	53.94
Long term investments	**2,711**	**6.75**	2,235	6.32	2,128	5.87	2,417	5.17	1,411	4.86	1,411	5.10
Long term deposits & prepayments	**76**	**0.19**	76	0.22	77	0.21	15	0.03	15	0.05	17	0.06
	17,243	**42.92**	17,018	48.16	17,782	49.09	18,279	39.08	17,884	61.57	16,358	59.10
Current Assets												
Stores, spares and loose tools	**1,906**	**4.74**	1,902	5.38	1,850	5.11	1,423	3.04	1,267	4.36	797	2.88
Stock in trade	**3,407**	**8.48**	1,271	3.60	1,227	3.39	5,677	12.14	588	2.02	801	2.89
Trade debts	**647**	**1.61**	830	2.35	477	1.32	285	0.61	244	0.84	231	0.83
Loans and advances	**491**	**1.22**	114	0.32	111	0.31	65	0.14	80	0.28	61	0.22
Deposits and prepayments	**13**	**0.03**	14	0.04	5	0.01	5	0.01	9	0.03	5	0.02
Other receivables	**2,246**	**5.59**	217	0.61	466	1.29	13,096	28.00	1,277	4.40	1,689	6.10
Short term investments	**8,838**	**22.00**	1,250	3.54	4,659	12.86	-	-	3,895	13.41	502	1.81
Cash and bank balances	**5,385**	**13.40**	12,720	36.00	9,648	26.63	7,942	16.98	3,801	13.09	7,236	26.14
	22,933	**57.08**	18,318	51.84	18,443	50.91	28,493	60.92	11,161	38.43	11,322	40.90
	40,176	**100.00**	35,336	100.00	36,225	100.00	46,772	100.00	29,045	100.00	27,680	100.00

Rs Million

PROFIT & LOSS	2011 Rs	2011 %	2010 Rs	2010 %	2009 Rs	2009 %	2008 Rs	2008 %	2007 Rs	2007 %	2006 Rs	2006 %
Turnover	**55,869**	**100.00**	43,257	100.00	36,725	100.00	26,821	100.00	12,243	100.00	14,707	100.00
Cost of Sales	**35,753**	**63.99**	29,794	68.88	27,060	73.68	18,595	69.33	7,420	60.61	10,023	68.15
Gross profit	**20,116**	**36.01**	13,463	31.12	9,665	26.32	8,226	30.67	4,823	39.39	4,684	31.85
Selling & distribution expenses	**2,554**	**4.57**	2,585	5.98	2,236	6.09	1,777	6.63	1,069	8.73	1,420	9.66
Administrative expenses	**777**	**1.39**	700	1.62	401	1.09	207	0.77	131	1.07	103	0.70
	16,785	**30.04**	10,178	23.53	7,028	19.14	6,242	23.27	3,623	29.59	3,161	21.49
Finance cost	**1,088**	**1.95**	934	2.16	1,460	3.98	2,792	10.41	631	5.15	413	2.81
Other operating expenses	**1,177**	**2.11**	713	1.65	443	1.21	565	2.11	344	2.81	243	1.65
	14,520	**25.99**	8,531	19.72	5,125	13.96	2,885	10.76	2,648	21.63	2,505	17.03
Other operating income	**1,650**	**2.95**	1,154	2.67	683	1.86	1,520	5.67	1,252	10.23	1,252	8.51
Profit before taxation	**16,170**	**28.94**	9,685	22.39	5,808	15.81	4,405	16.42	3,900	31.85	3,757	25.55
Taxation	**5,403**	**9.67**	3,171	7.33	2,024	5.51	1,505	5.61	1,360	11.11	1,312	8.92
Profit after taxation	**10,767**	**19.27**	6,514	15.06	3,784	10.30	2,900	10.81	2,540	20.75	2,445	16.62

Notice of Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held on 27 Mar 2012 at Pearl Continental Hotel, Rawalpindi, at 1100 hrs to transact the following business:

Ordinary Business

- To confirm the minutes of Annual General Meeting held on 21 Mar 2011.
- 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 2011.
- To appoint Auditor(s) of the Company for the year 2012 and fix their remuneration.
- To approve payment of final dividend for the year ended 31 Dec 2011 as recommended by the Board of Directors.
- Any other business with the permission of the Chairman.

Rawalpindi
01 March 2012

By Order of the Board
Fauji Fertilizer Bin Qasim Limited
Brig Shaukat Yaqub Malik, SI(M), (Retd)
Company Secretary

Notes:-

1. Share transfer books of the Company will remain closed from 21 to 27 Mar 2012 (both days inclusive).

2. A member of the Company entitled to attend and vote at AGM may appoint a person / representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's Registered Office, 73-Harley Street, Rawalpindi, duly stamped and signed not later than 48 hours before the time of holding meeting. A member cannot appoint more than one proxy. A copy of shareholder's attested CNIC must be attached with the proxy form.

3. The CDC / sub account holders are required to follow the under mentioned guidelines as laid down by Securities and Exchange Commission of Pakistan:-

(a). For attending the meeting

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

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

(b). For appointing proxies

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

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

iii. Attested copies of CNIC or the passport of the beneficial owner(s) and the proxy shall be furnished with the proxy form.

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

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

4. Members are requested to promptly notify any change in their addresses.

5. For any other information, please contact at:-

Ph # 051 9272196 - 7 Fax # 051 9272198 - 9

moving forward together

To be successful, we need a common understanding of what we do, and why and how we do it. This provides us with a strong foundation to move forward together.

Chairman's Review

Dividend Declared
Rs 9.3 Billion

It gives me immense satisfaction to share and acknowledge that FFBL braced another year of outstanding performance. I want to congratulate all those individuals who have been part of the activity during this exciting year and wish to share these moments of glory & gratitude with FFBL team. I take this opportunity to thank my fellow Directors for making excellent contribution by infusing new vigor & vitality through their valuable skills and experiences.

I would also like to acknowledge the extraordinary contribution of our customers, suppliers, bankers, SSGCL and GoP in achieving Company's success and looking forward for their continued assistance in the future as well. On behalf of the Board, I offer sincere thanks to our shareholders for evincing great confidence and trust in the Company.

Lt Gen Muhammad Mustafa Khan
HI(M), (Retired), Chairman

A Word From The Chief Executive

Earnings After Tax

Rs 10.8 Billion

It gives me immense pleasure to express that despite consistent gas curtailment, 2011 has been a rewarding year in which we were able to exhibit highest standards of performance surpassing all previous records.

In our strategy for sustained earnings growth, we have achieved best ever results driven by excellent operating performance, strategic decisions and cost controls which resulted in augmenting profitability. We have continued our growth and maintained strong financial position and healthy cash flows in addition to maximizing returns to shareholders.

We are proud of our employees for demonstrating commitment and delivering excellent performance resulting in record level of profitability. Their consistent endeavors for achieving excellence in all operational spheres reassures us for a prosperous and even more eventful future.

However, increased gas curtailment, low consumption of fertilizer due to high prices, volatile local and international commodity prices, increasing trend in gas prices and ongoing economic situation of the country are the major risk factors which may affect our future growth.

Our Ammonia and Urea productions were significantly reduced due to extended gas curtailment during the year. Despite various meetings, Ministry of Petroleum, GoP has not been able to resolve the issue of gas curtailment. We are in constant communication with Ministry of Petroleum, GoP for settlement of the issue.

As part of our strategy we have improved integration of our business processes, effectiveness of internal controls and transparencies after smooth operation of SAP since last year.

In order to maintain growth of the Company we are evaluating various avenues for diversification. We are determined to contribute to society by providing good employment, boosting agriculture output, contributing to national exchequer, saving foreign exchange, controlling pollution and working for the welfare of surrounding communities.

I am extremely thankful to our employees, valued customers, respected shareholders and other stakeholders for contribution towards our continued success. I am also thankful to our Board of Directors for their valuable guidance in ensuring continued growth and success of the Company.

Lt Gen Muhammad Zaki
HI, HI(M), (Retired), CE & MD

directors' report

The Directors are pleased to present 18th Annual Report along with audited Financial Statements of the Company and the Auditors' report thereon for the year ended 31 Dec 2011, with an achievement of Company's best ever performance.

Pakistan's Economy and its Outlook

Pakistan is in a situation where more or less all macroeconomic indicators are presenting a gloomy picture. GDP growth rate is lethargic and inflation remained in double digits throughout the year. Fiscal deficit is mounting and likely to stay at monstrous 6.5 percent of the GDP for the second consecutive year and external account balance is worsening by each passing day resulting in severe pressure on the fragile rupee and foreign exchange reserves.

The FY12 will be a crucial year as the economy is severely under pressure due to both domestic and external factors. The challenges faced by the economy are not insurmountable but urgent and concrete policy actions are needed otherwise prospects of economic recovery this year will become even bleaker. Faced with growing worries on the domestic and global front, FY12 GDP forecasts for Pakistan are expected marginally higher than the 2.4% posted in FY11.

The structured weakness i.e. low tax to GDP, energy crisis, declining investment and economic vulnerability to price shock, will continue to pose a major risk to Pakistan's economic health in FY12. As a result, the risk of twin deficit i.e. weakness in external account and escalating fiscal deficit, will be the major problems in FY12. The widening of the two deficits would exert strain on domestic interest rate environment, inflation outlook, forex reserves and PKR-USD parity that poses a risk to monetary easing.

On the external account, major threat is expected to come from adverse commodity price shock (declining cotton prices and surge in oil prices) rendering into widening of current account deficit.

The road to recovery will be an uphill task but work on this revival effort has to start now if we want the economy to sail through 2012 smoothly. The government should devise a short-to-medium term economic agenda to put the economy back on track. Professional managements are immediately required to be installed in all the loss-making public sector enterprises to stop bleeding of over Rs 300 billion a year. Concrete steps are required to broaden the tax base. This is essential to shore up government revenues to contain the budget deficit. Removal of subsidies to public sector enterprises and bringing other productive sectors into the tax net can also supplement government's revenues. There is a need to put a cost effective energy plan, encourage foreign direct investments & remittances through favorable economic policies, gradually reduce discount rate for enhancing industrial growth and promote export oriented industries to earn valuable foreign exchange for bridging the gap in balance of payments.

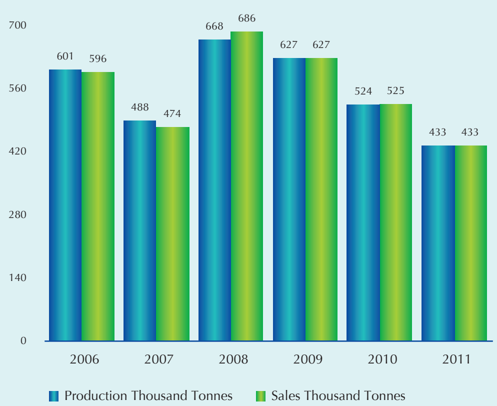
Operational Highlights

Despite consistent gas curtailment, DAP plant by the grace of Almighty Allah achieved ever highest production of 662 thousand tonnes. The Company successfully completed annual turnaround during first quarter with the satisfactory inspection and maintenance of all equipments. In spite of gas curtailment DAP was operated at high load to meet the demand in the country.

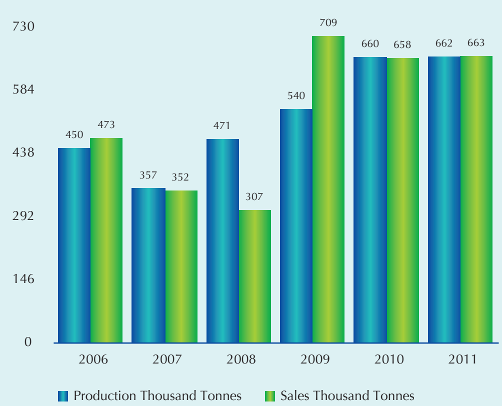
Availability of consistent gas supply remained a key issue due to extensive natural gas curtailment throughout the year. The company was subjected to an extended shutdown with additional 27 days for Urea plant due to gas curtailment. Unplanned increase in gas curtailment especially during the third quarter adversely affected ammonia and Urea production. Gas curtailment was further increased to 37% in the month of December due to short fall in gas supply. Overall, the Company suffered gas curtailment of around 30% which is 10% more than the ECC approved gas curtailment of 20% for Sui network plants. Production of ammonia and Urea was lesser by 12% and 17% respectively against the corresponding year owing to the extended gas curtailment.

Ammonia plant established a record uninterrupted operation, without any down time, since its start-up on February 06, 2011 after annual turnaround 2011.

Urea Production & Sales



DAP Production & Sales



Directors' Report

ENERGY CONSERVATION

Energy conservation is among our strategic drivers for plant modernization and revamps projects and translates into increase in the production capacity.

Considering the scarce energy resources of the country FFBL has undertaken following projects to increase over all plant capacity through efficient utilization of energy.

1) Ammonia BMR.
2) DAP Revamp.
3) Commissioning of Hydrogen Recovery Unit.
4) Utilization of total Purge gases in boilers.

Gas Curtailment

According to Gas Allocation and Management Policy 2005, fertilizer plants are at the second priority after domestic and commercial sector. Whereas gas curtailment to fertilizer plants remained at a maximum and the gas was supplied to low priority consumers throughout the year. For the year 2011 overall gas curtailment to Sui network plants was around 48% which is much higher than the approved ECC gas curtailment of 20%.

The gas curtailment started in April 2010 as per GoP decision. The curtailment to fertilizer industry tremendously increased during 2011. Now the winter gas load management plan of complete shutdown of Sui network plants has been enhanced to three months.

Due to extended gas curtailment to fertilizer industry during the year, there was a shortfall of around 2 million tonnes Urea which has resulted in;

- wastage of huge foreign exchange on Urea imports,
- shortage of urea due to delayed and insufficient imports,
- steep jump in Urea prices,
- reduction in agricultural output due to low consumption of Urea.

Severe gas curtailment is a serious challenge for the fertilizer industry. Several short and long term proposals have been made by the industry to the GoP over the last few months. Severity of the concern has also been communicated at the highest levels of GoP. Despite repeated requests GoP has yet not been able to resolve the issue. However, GoP is still working to bring in new supplies into the network in the next few years.

Fertilizer is the only industry in Pakistan using gas as raw material having no other alternative with very high “value addition” as compared to other industrial sectors. It is cheaper for the country to save heavy foreign exchange by not importing Urea and instead use diesel and furnace oil for industry. Power and textile sectors could use alternate fuels such as diesel and furnace oil for generating electricity, but the fertilizer plants has no substitute of gas as they use gas as raw material.

GoP should ensure food security in the country by providing the farmers much needed fertilizer. The entire agriculture sector and millions of farmers are dependent on fertilizer for producing different crops in the country. In order to avoid expensive import and shortage of Urea and to enhance agricultural growth in the country, GoP should provide uninterrupted gas supply to fertilizer industry.

Marketing Highlights

Global Economy

After a strong rebound of the world gross domestic product in 2010, economic activity has weakened significantly since the second quarter of 2011. World output growth is seen as moderating considerably in 2011, driven by the sovereign debt crisis in the United States and the euro zone, the impact of the earthquake and tsunami in Japan, unrest in North Africa and the Middle East. Growth is seen as anemic in the advanced economies. In contrast, growth is expected to remain high in emerging Asia. In its World Economic Outlook, the International Monetary Fund emphasizes that the risks are clearly to the downside, and the downside risks are much higher than six months ago. In its downside scenario, IMF speculates that advanced economies could fall back into recession in 2012. This hypothesis is confirmed by the Economic Outlook recently released by the Organization for Economic Co-operation and Development. Commodity prices recovered in 2010 and continued to rise at the beginning of the year. They have remained firm since the second quarter. IMF forecasts that food prices should decline modestly but remain firm through 2012. Debt reduction, food security and a green economy are at the top of the international agenda.

challenge is

opportunity

We evolve new strategies to surmount new challenges, to take advantage of new opportunities.

Yearly
Production
DAP
662
Thousand
Tonnes

Directors' Report

International Agriculture and Fertilizer Situation

Robust demand for nitrogen products prevailed in 2011, supporting a 4% expansion in global Urea production. According to an estimate global Urea capacity is around 184 million tonnes in 2011 and is expected to increase to 196 million tonnes in 2012. China will contribute a total of 7 million tonnes in 2011/12. However, new capacity is emerging outside China while capacity growth is slowing down in the country. The global Urea supply/demand balance shows a slight surplus in 2011. This surplus is anticipated to remain steady in 2012. The bulk of new capacity that is planned to come on stream in 2012 would emerge in the second half of the year.

World phosphate demand remained firm in 2011, consolidating the recovery seen in 2010. Consumption of phosphate products rose in almost all consuming countries, thus supporting record levels of production. Global phosphate sales expanded by 6% in comparison to 2011, with all this increase resulting from higher production.

No merchant acid capacity came on stream in 2011. Global phosphoric acid capacity in 2012 is projected to expand by 2.1 million tonnes to 54.1 million tonnes P_2O_5. China will account for most of this increase. The global supply/demand of phosphoric acid showed relatively tight conditions in 2011. These conditions are expected to continue into 2012, with a very marginal potential surplus of 2.3 million tonnes P_2O_5.

Both Urea and DAP prices have fallen rapidly in the international market at the year end. The prices have started recovering in the beginning of 2012 and still uncertainty prevails. However, forecasts to 2012/2013 are highly speculative due to the depressed economies. Agricultural commodity prices are seen as remaining attractive but highly volatile. Consequently, global fertilizer demand in 2012/2013 would continue to grow, at a more moderate rate.

Domestic Fertilizer Market Situation

UREA

Domestic fertilizer market remained very uncertain throughout the year regarding prices and supplies of Urea and DAP. Unplanned and delayed decisions of Government of Pakistan regarding gas curtailments and Urea imports created uncertain situation for the fertilizer industry as well as farmer's community. Urea supplies were directly affected by these decisions and created shortage in the market. Despite spending millions of dollars to import Urea, the government was unable to manage its smooth supply to the farmers. Withdrawal of GST exemption on chemical fertilizers by the GoP in March 2011 also adversely affected the DAP consumption.

To overcome the energy crises, gas curtailment to whole fertilizer industry adversely affected Urea production. Urea production was 4.9 million tonnes in 2011, whereas industry's total capacity is 6.9 million tonnes, which created a huge gap between demand and supply. Inadequate &

delayed imports by the GoP further worsened the condition of supplies.

Domestic Urea sales declined by 3% during 2011 as compared to 2010. Industry Urea sales during the first half of 2011 were 11% lower than the sale of the corresponding period of 2010. Urea production during this period was 2.36 million tonnes, 7% lower as compared to the production of the same period of 2010. Imports of 240 thousand tonnes during Jan-Jun, 2011 were inadequate to meet the demand, resulting in high market prices. Farmers were compelled to pay an extra price of Rs 100 – 250 per bag as compared to manufacturers' suggested retail prices during this period.

Industry Urea sales in the second half were increased by 5% as compared to the same period of 2010. GoP imported one million tonne Urea during the period of Jul-Dec, 2011 out of which 525 thousand tonnes arrived during Jul-Nov, 2011. Remaining quantity of 475 thousand tonnes has arrived in December 2011 but due to transportation & distribution issues only 280 thousand tonnes Urea reached to the farmers during this month.

Opening Urea inventory of 166 thousand tonnes in 2011 was 30% lower than opening inventory of 238 thousand tonnes in 2010. Urea production during 2011 is at 4,906 thousand tonnes, which is lower by 5% than the production of 5,149 thousand tonnes of corresponding year. Urea imports are 1,241 thousand tonnes during 2011 as compared to 886 thousand tonnes imports of 2010. During 2011, industry Urea sales are estimated at 5,920 thousand tonnes, 3% lower than 6,114 thousand tonnes sales of 2010. Urea inventory at the year end is estimated at 375 thousand tonnes, as compared to the inventory of 166 thousand tonnes at end December, 2010.

Prices of Urea were tremendously increased due to;

- severe gas curtailment,
- withdrawal of GST exemption
- increase in gas prices
- imposition of infrastructure development cess

If the government does not take remedial measures it may adversely affect consumption of Urea and agricultural output.

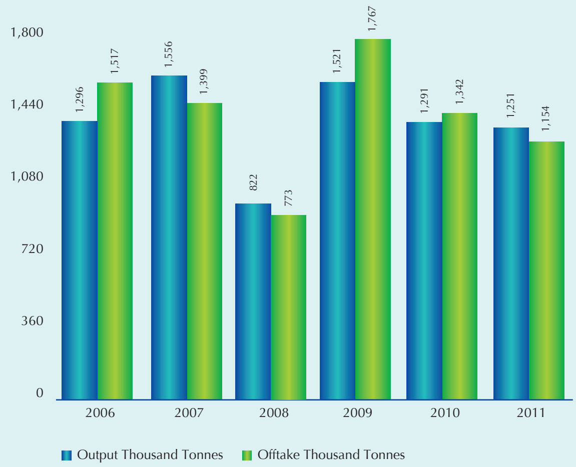
Directors' Report

DAP

DAP domestic sales declined by 16% during 2011 as compared to 2010. This significant decline is attributed to higher domestic prices due to withdrawal of 16% GST exemption by the GoP. Gradual rise in the international prices during the second quarter also contributed to the higher prices in the domestic DAP market resulting in negative impact on consumption during 2011.

Due to regular production and imports, inventory kept on increasing and peaked at 236 thousand tonnes in August 2011. The DAP inventory at the start of the year was 19 thousand tonnes 74% lower as compared to 74 thousand tonnes inventory at the beginning of 2010. DAP production and DAP imports during the year 2011 were 662 thousand tonnes and 589 thousand tonnes respectively. Closing inventory at the end of 2011 is estimated at 116 thousand tonnes, much higher as compared to 19 thousand tonnes closing inventory of 2010.

Industry DAP Output & Offtake



Sales Performance

FFBL Sona Urea (G) sales during Jan-Dec 2011 was 433 thousand tonnes with an achievement of 79% against the targets. These sales are 18% lower as compared to 525 thousand tonnes sales during the same period of 2010. The sales were limited to product availability. Sona DAP sales during Jan-Dec 2011 were 663 thousand tonnes with an achievement of 100% against the targets.

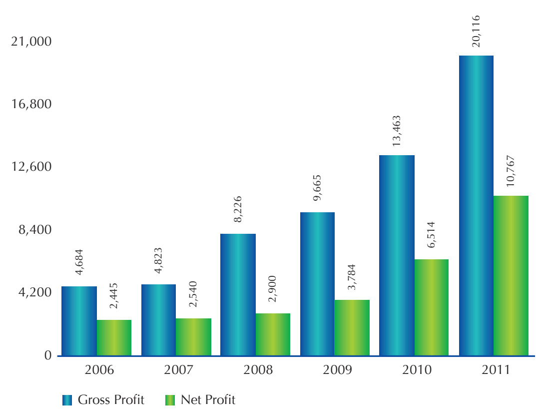
During Jan-Dec 2011 FFBL share in Urea and DAP market is estimated at 7% and 66% respectively.

Financial Highlights

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

	2011	2010
	Rs (millions)	
Turnover	55,869	43,257
Gross Profit	20,116	13,463
Profit before taxation	16,170	9,686
Net profit after taxation	10,767	6,514
Earnings per share (Rs)	11.53	6.97

Gross and Net Profit Margins
Rupees (million)



Fiscal Review

2011 happens to be the year where Company has attained best ever results with aggregate sales revenue of Rs 55.9 billion, an impressive growth of 29% over last year. The enhancement in revenue is attributable primarily to improved DAP margins. DAP and Urea sales accounted for 83% and 17% of total revenue respectively as compared to 80% and 20% in 2010. The Gross profit at Rs 20.1 billion has earned a margin of 36%. This is better than last year's margin of 31% mainly on account of better DAP margins during the year.

Company's total finance cost was recorded at Rs 1,088 million, showing an increase of 16% comparing last year owing to exchange losses. Other income of Rs 1,650 million was mainly on account of income on bank deposits and mutual fund amounting Rs 1,350 million and share of profit of PMP amounting Rs 255 million for the 12 months period Oct 2010 - Sep 2011.

Profit before tax was recorded at Rs 16,170 million, higher by 67% as compared to last year. After tax net profit arrived at Rs 10,767 million at 31 Dec 2011, higher by 66% comparing last year profit. The Company's Earnings per share (EPS), therefore, reached Rs 11.53 from an EPS of Rs 6.97 of last year.

Cash Flow Management

The Company is committed to a strong financial profile, which gives us the financial flexibility to achieve our portfolio optimization goals. An effective Cash Flow Management System is in place whereby cash inflows and outflows are projected on regular basis, repayments of all long term and short term loans have been duly accounted for. Working capital requirements have been planned to be financed through internal cash generations and short term borrowings from external sources where necessary. Outstanding performance of Treasury has contributed significantly to the Company's profitability.

Capital Management

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. 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 Management

Risk management is the process of identifying, quantifying, and managing the risks that an organization faces. As the outcomes of business activities are uncertain, they are said to have some element of risk. These risks include strategic failures, operational failures, financial failures, market disruptions, environmental disasters, and regulatory violations.

While it is impossible that companies remove all risk from the organization, it is important that they properly understand and manage the risks that they are willing to accept in the context of the overall corporate strategy. The management of the company is primarily responsible for risk management, but the board of directors, internal auditor and external auditor also play critical roles.

Directors' Report

Risk	Mitigating Factors
Supply of Phosphoric Acid	FFBL has a joint venture with OCP group Morocco to ensure uninterrupted supply of Phosphoric Acid
Frequent technological advancements	FFBL uses proactive approach in introducing and implementing the latest technology from time to time. Our plants are high-tech with state of the art technology which is continuously upgraded.
Environmental Risk	Since inception management at FFBL is very conscious about environmental safety and has never compromised on contributing to improve environment & safety standards in order to emerge as environment friendly organization.
Interest Rate Risk	FFBL manages its working capital requirements by maintaining a mix of Foreign Currency Import Finance (FCIF), Demand Finance and RF lines. KIBOR movement is closely monitored.
Liquidity Risk	Availability of funds is always ensured prior to any payment or contractual obligation. Working capital lines are also available to avoid any cash crunch.
Credit Risk	Investments with financial institutions are carried out in accordance with their credit ratings. Furthermore diversified investment portfolio is maintained.
Market Risk	The Company stands exposed to all market risks in the normal course of its business operations.

Best Corporate Practices

The Board is fully aware of the importance in adhering to the international and local principles of best corporate governance. All periodic financial statements of the Company were circulated to the Directors duly endorsed by the Chief Executive Officer and the Chief Financial Officer 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, 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

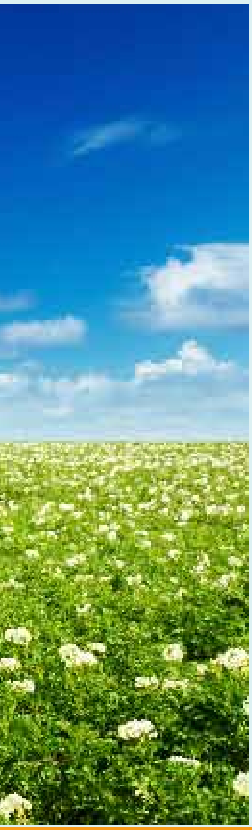
Financial statements prepared by the management present fairly and accurately the Company's state of affairs, results of its operations, cash flows and changes in equity.

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.

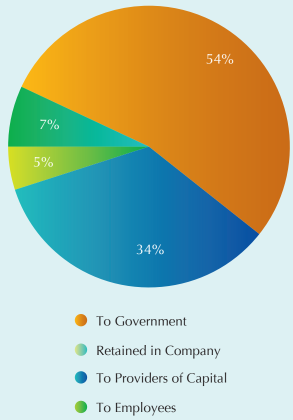


Contribution to National Exchequer and Value Addition

During the year, the Company has contributed an amount of Rs 15,477 million, as against Rs 6,541 million in 2010, towards the National Exchequer on account of Government levies, taxes and import duties etc. Value addition in terms of net foreign exchange savings worked out to approximate US $ 436 million through import substitution by manufacturing 433 thousand tonnes of Urea and 662 thousand tonnes of DAP during 2011. Contribution to the economy included Rs 9,129 million in the form of Shareholders' returns through cash dividends, Rs 780 million on account of payments to providers of capital in the form of mark-up and interest, while employees' remuneration & benefits stood at Rs 2,013 million.

	2011 Rs in million	**%**	2010 Rs in million	%
WEALTH GENERATED				
Total revenue inclusive of sales tax and other income	**65,205**	**226.13**	44,788	281.51
Purchases - material and services	**36,370**	**(126.13)**	28,878	(181.51)
	28,835	**100.00**	15,910	100.00
WEALTH DISTRIBUTION				
To Employees				
Salaries, wages and other benefits	**2,013**	**6.98**	1,677	10.54
To Government				
Income tax, sales tax, custom and excise duty	**14,556**	**50.48**	5,908	37.14
WPPF and WWF	**921**	**3.19**	633	3.98
To Society				
Donations and welfare activities	**7**	**0.02**	131	0.82
To Providers of Capital				
Dividend to shareholders	**9,129**	**31.66**	5,155	32.40
Finance cost of borrowed funds	**780**	**2.71**	846	5.32
Retained in the Company	**1,429**	**4.96**	1,560	9.80
	28,835	**100.00**	15,910	100.00

Wealth Distribution 2011



Financial Reporting

The Chief Executive & Managing Director and CFO declared 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 position 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 3.50 per share in respect of the financial year ended Dec 31, 2011. This final dividend will be subject to the approval of shareholders in their meeting scheduled on 27 Mar 2012. Moreover, three interim dividends were also paid during the year, aggregating Rs 6.50.

Dividend and Earnings Per Share
Rs

Directors' Report

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

FFBL adheres to the best ethical standards in the conduct of business. A code of conduct for the employees and Directors of the Company is circulated annually and acknowledgment is received from each employee and Director, confirming their understanding and acceptance of the Code.

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.

The Company has increased its emphasis on control procedures of each business unit to confirm that corporate policies are executed and to mandate corrective action when necessary. 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 2012 on mutually agreed terms and conditions.

Income
From Treasury
Operations
Rs 1.4
Billion

- Highest ever monthly DAP production – 68,412 MT (May 2011)
- Highest monthly Dispatches of DAP & Urea – 113,710 MT (June 2011)

Directors' Report

IT Enabled Organizational Transformation

Technology has pierced our lives in a big way. Information Technology (IT) is the backbone of organizations in both manufacturing and services sectors. It has revolutionized society and is now a crucial component in every walk of life.

FFBL enchanting the advantages of latest technology reorganized business processes and implied IT tools achieving business efficiency, integrated environment, transparency and better controls.

Although IT has been part and parcel of FFBL operations for years, the Company further streamlined its activities by setting up the Information Technology Enabled Transformation (ITET) group to meet FFBL's current and future needs.

Earlier, the departments functioned separately at different FFBL locations. They had different platforms to work upon with their chosen desktops, operating systems such as Windows, UNIX and databases; including Oracle, Microsoft Access and network technologies. Various Application Systems, were built in-house. This customized environment had its local and immediate value, but this was not enough to meet FFBL's ever growing, broad based business and personnel needs. It was a challenge to overhaul the system to take care of all FFBL requirements.

Moreover, sustaining the old system was not feasible and beneficial to the company. Financial prudence too demanded a change in the IT structure and the company responded by launching ITET in July 2008.

ITET accepted the challenge of changing the way business was done in FFBL. The scope comprised three main components to begin with:

- Implementation of enterprise resource planning (ERP) Software Architecture SAP-ECC6
- Creation of robust IT Infrastructure including Data Centers, Networks
- E-communication culture introduction through mailing, black berry and e-work flow services.

The goal was to standardize FFBL's global business operations by using the best practice processes in chemical industries. The ultimate target was to link FFBL's all manufacturing, operations, shipments, administrative activities and information systems in one unified network company- wide.

All this planning was done to respond to global changes.

After successful implementation and GO LIVE of SAP with cutting edge technology in 2010, Company also achieved implementation of SAP Business Intelligence Solution by September 2011.

This final stride made FFBL operationally cost efficient while strengthening corporate relations within the business. Many difficulties were surmounted in the process. This advancement enabled FFBL to improve performance & effectiveness of the Information systems, reducing costs incurred on IT directly.

The ITET architecture addresses the issues such as business activities and processes, data sets and information flows, applications, software and related technology. It is not limited to hardware and software issues, but includes a plan that addresses other personnel, administrative and human resources matters. The benefits have included the improved ability to share and efficiently process information, faster response in business needs, and reductions in costs by economizing of scale and resource sharing.

FFBL's IT environment has come a long way from being fragmented to uniform standards and integration of all its IT systems through ITET project.

ITET Group has been playing a key role in putting FFBL well on course to meet its objective of being operationally cost efficient and strengthened corporate relations within the business. ITET, with its skilled resource, technical know-how and expertise, is well prepared to take on future challenges in the ever changing information and communication field.

Directors' Report

Corporate Social Responsibility

In its 12 years of operating history, FFBL has distinguished itself as a good neighbor, not only have we consistently delivered outstanding returns to our shareholders, we have worked hard to be a good employer, to be a catalyst for the social and economic development of the communities in which we operate, and to minimize our environmental impact.

We have continued our role as a responsible corporate citizen and regularly contribute towards social and welfare activities through donation to various charitable institutions. We have also contributed to the flood affectees, being committed towards national cause.

FFBL adheres to the religious and moral obligations & either hire disable persons or regularly contribute requisite amount in lieu thereof.

In year 2011, community investments and welfare schemes were handed over to Human Development Foundation (HDF) with a project cost of 39 million rupees for a period of five years. HDF is a Non Governmental Organization (NGO) registered both in North America and Pakistan.

HDF is engaged in community development activities with special emphasis on health and education promotion.

Basic program areas:

- **Social Mobilization** - to create awareness, improve living conditions and establish village development organizations (VDO) from local residents
- **Basic Health Facilities** - to establish community health centre (CHC).
- **Education** – to establish Girls Primary School, initially upto 5th – 8th grade and then gradual enhancement to 10th grade with emphasis on female/adult literacy.
- **Clean Drinking Water** - to install four water purification plants in Ghaggar Union Council
- **Economic Development** – to establish technical / vocational skills centers and explore other development opportunities.

trio of our SUCCESS

Equal importance to economic success,
social responsibility and environmental protection

Yearly
Sales DAP

663 Thousand Tonnes

Directors' Report

Assessment of Effectiveness of Risk Management

The Board's policy on risk management encompasses all significant business risks to the company, including financial, operational and compliance risk, which could undermine the achievement of business objectives. The Board also receives assurance from the Audit Committee, which derives its information, in part, from regular internal and external audit reports on risk and internal control throughout the company. To ensure that internal auditors carry out their responsibilities, the audit committee approves and periodically reviews the internal audit program. The head of internal audit reports directly to the audit committee on the results of its work.

Health, Safety & Environment

The Company is very much concerned about its environmental performance with respect to gaseous and liquid effluents as part of moral and legal obligation. Being a member of "Self Monitoring And Reporting Tool" (SMART) program launched by federal "Environmental Protection Agency" (EPA), monthly report of all analysis of gaseous and liquid effluents is submitted to "Sindh Environmental Protection Agency" (SEPA) on regular basis. All of these parameters remained well within the limits of National Environment Quality Standards (NEQS). To add value to this reporting, the Company arranged a third party analysis from M/s SGS Lab (a certified laboratory by SEPA) for all gaseous and liquid effluents. All of these third party reports were in line with FFBL reporting and under NEQS limits.

Plant completed 5.42 million man-hours and 34 months of safe operation since last Loss Time Injury in February 2009.

A 2-day workshop and gap analysis session was conducted in November 2011 on the subject of HSE, which was attended by all line managers.

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. Company facilitates its officials to visit abroad for attending meeting / conferences on environment, health and safety to enhance their abilities and awareness. There is no doubt to say that FFBL's commitments in these areas are at par with productivity, quality and profitability.

National Seminar on Health, Safety & Environment

FFBL arranged its 2nd National Seminar on Health, Safety & Environment (HSE) on September 29, 2011 at Marriott, Karachi. This was in continuation to maintain its vigor to improve general awareness and share experience at national level among participating delegates.

Seminars highlighted the importance of healthy work force, safe work place and pollution free environment. The seminars focused on current HSE issues faced by the organization and corresponding measures to reinforce standard HSE practices for production output. About 120 professionals from nation-wide industries and academia attended the seminar and 12 papers were presented on various topics in the field.

Directors' Report

Investment in New Technologies to Improve Environmental Monitoring

FFBL invested in new and latest technologies to incorporate them in its environment monitoring program. Recently a waste water composite sampler was installed to collect a composite sample of waste water channel. This composite sample will help to improve waste water monitoring by collecting a composite sample of 24 hours, which was previously collected as grab sample.

FFBL has also installed underground hand pumps near its evaporation pond to monitor the quality of underground water. These pumps collect the water sample at a depth of about 120~150 feet.

Shareholders' Information

To update shareholders about the operations, growth and state of affairs of the Company, the management promptly disseminates all material information including announcement of interim and final results to the Stock Exchanges. Quarterly, half yearly and annual financial statements are accordingly circulated within stipulated timeframe to all concerned. Similarly, notices and announcements of dividend are transmitted to all stakeholders and regulators within the time, laid down in the Code of Corporate Governance, Companies Ordinance 1984 and listing regulations of Stock Exchanges. The same are also uploaded immediately on Company's website.

Shareholding Pattern

Company shares are quoted on all three Stock Exchanges i.e, Karachi, Lahore and Islamabad. A total of 1.079 billion Company shares were traded only on the Karachi Stock Exchange during the year. The free float of the Company stood at 31.34 % at the end of year. The market capitalization of the Company stock was recorded at Rs 39.63 billion at the close of 2011. FFBL shares were subject to a wide range of trading from a high of Rs 64.30 per share to a low of Rs 34.75 per share, closing the year at Rs 42.43 per share.

There were 15,995 shareholders of the Company's equity at the close of 2011. About 81.55% of total shares outstanding were closely held by the sponsors, investment companies, financial institutions, mutual funds, joint stock companies and other corporate bodies. About 2.91% shares were kept by the foreign shareholders.

Top 25 Companies Award

FFBL again joins the elitist club at the Karachi Stock Exchange (KSE) for the second consecutive year and secured 4th position for the year 2010, among the top twenty five companies registered at this premier Stock Exchange of the Country. This is a matter of pride for the Company as the membership of the exchange stands close to 654 companies.

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

Human Capital Development

FFBL is one of the pioneer organizations whose foundations are based on best ethical and labor practice. FFBL meets all contractual as well as legal obligations. The labor or the workforce, whether engaged in direct or indirect employment are treated with respect and dignity.

At FFBL, we understand the strategic significance of the human capital in the dynamic business world of today. HCM is focused on interventions that bring commitment from the employees towards organizational goals and at the same time build organizational loyalty. Performance and competence of human resource invariably provides the company a cutting edge over its competitors and leads towards sustainable business growth.

The key milestones in Human Capital domain include the following:-

- Development of human resource policies and procedures manual.
- Development of performance management system.
- Development of competency framework.
- Position rationalization and clarification.
- Career ladder development.
- Manpower plan.
- Development of compensation and benefits structure.
- Succession policy is in vogue, identifying and developing individual abilities to undertake leadership positions.

FFBL extends Skill Improvement Program (SIP) round the year to make them acquaint with new technology and work processes and perform better. Focused training and development programmes of the employees are arranged for enhancing their technical and managerial expertise. Employees at all levels were considered for training and development throughout the year through a structured TNA (Training Need Analysis) exercise. A number of foreign and local training courses and seminar were attended to get a grip of international and local industry best practices.

Directors' Report

Contribution to National Exchequer
Rs 15.4 Billion

Employees Retirement Benefits

Value of investments of Provident and Gratuity Funds as on 31 Dec 2011 (un-audited) is as under:-

	2011	2010
	Rs (million)	
Provident Fund	642	492
Employees Gratuity Fund	225	169

Relations with Personnel & 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 has been renewed for another two years to the satisfaction of both parties for harmonious functioning of the plant.

Stakeholders' Engagement

FFBL stakeholders include the investment community, employees, contractors, national, regional and local governments, regulators, communities associated with our operations, business and joint venture partners, non-governmental and development organizations, suppliers, customers and media.

Engagement takes many forms. At the corporate level, our stakeholder engagement is focused on shareholders, capital market participants, government (usually at the national level) and civil society (principally national and international NGOs). Communication processes include regulatory filings, annual and quarterly reports, news releases, fact sheets, presentations by senior management, as well as meetings, telephone conversations, media interviews, speeches, analyst briefings and conference calls. The Company website (www.ffbl.com) is also a primary source of information for our key stakeholders.

Wind Power Projects

Following shareholders approval in the 16th Annual General Meeting the Company paid two installments of Rs 235 million towards two wind power plants, Foundation Wind Energy- I Limited (formerly Beacon Energy Limited) and Foundation Wind Energy- II (Private) Limited (formerly Green Power (Private) Limited) 49.5 MW each. Total estimated cost of each plant is US Dollar 130 million. The projects have a "Debt to Equity" ratio of 75:25. The Company will eventually hold 35% shareholding in each project. The expected financial close of both projects is in first quarter 2012 and the projects are expected to commence commercial production in 2013. EPC contracts have been signed. The payments against EPC are subject to tariff determination Alternative Energy Development Board (AEDB).

Directors' Report

Pakistan Maroc Phosphore, SA (PMP)

By the Grace of Almighty, PMP achieved a landmark in year 2011, by producing more than 382 thousand tonnes of P_2O_5, surpassing first time the name plate capacity of 375 thousand tonnes in any year.

On fiscal front, however, year 2011 remained a challenging year owing to imbalance between input and output prices, as was expected and indicated in the last year Directors' Report. Throughout the year 2011, there had been less improvement in output prices i.e. of Phos Acid as compared to increase in the input prices mainly of phos rock and sulphur; thereby impacting margins adversely.

With recent fall of prices in the international fertilizer market and indications going forward, year 2012 again looks a quite challenging year in terms of PMP financial results. However, all out efforts are committed by PMP Management to bring the best possible results under the circumstances.

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)	1	Resigned with effect from 25 Jan 2011
Lt Gen Muhammad Zaki (Retd)	4	Appointed with effect from 26 Jan 2011
Lt Gen Malik Arif Hayat (Retd)	5	
Mr Qaiser Javed	5	
Brig Rahat Khan (Retd)	3	Resigned with effect from 10 Aug 2011
Dr Nadeem Inayat	5	
Brig Liaqat Ali (Retd)	5	
Brig Jawaid Rashid Dar (Retd)	5	
Brig Parvez Sarwar Khan (Retd)	5	
Brig Dr Gulfam Alam Khan (Retd)	2	Appointed with effect from 11 Aug 2011
Mr Naved A. Khan (Independent Director)	3	
Mr Nasier A. Sheikh (Independent Director)	5	
Dr Rashid Bajwa (Independent Director)	4	

Vacation of Directors

Lt Gen Muhammad Zaki, HI, HI(M), (Retd) has been appointed as Director/Chief Executive & Managing Director of the Company on resignation of Lt Gen Anis Ahmed Abbasi, HI(M), (Retd). Brig Dr Gulfam Alam, SI(M), (Retd) has been appointed Director of the Company in place of Brig Rahat Khan, SI(M), (Retd) on his resignation. The Board places on record its appreciation for the services rendered by the outgoing Directors.

The Board unanimously welcomes Lt Gen Muhammad Mustafa Khan, HI(M), (Retd) as new Director/Chairman in place of Lt Gen Hamid Rab Nawaz, HI(M), (Retd) who has resigned on 2 Jan 2012 and hope that the Company will prosper further under his able guidance.

Board Committees

Audit Committee

Terms of Reference

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

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

Directors' Report

	Attendance	Remarks
Mr Qaiser Javed	5	
Brig Rahat Khan (Retd)	2	Resigned with effect from 10 Aug 2011
Dr Nadeem Inayat	2	
Brig Parvez Sarwar Khan (Retd)	3	
Brig Dr Gulfam Alam (Retd)	1	Appointed with effect from 11 Aug 2011
Mr Nasier A. Sheikh	4	

Technical Committee

Terms of Reference

This Committee comprises five members including its Chairman. Four members are non-executive directors, while one is independent director. It reviews all technical matters pertaining to the plant operations and capital expenditure of the Company.

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

	Attendance	Remarks
Brig Rahat Khan (Retd)	2	Resigned with effect from 10 Aug 2011
Brig Liaqat Ali (Retd)	3	
Dr Nadeem Inayat	2	
Brig Parvez Sarwar Khan (Retd)	3	
Brig Dr Gulfam Alam (Retd)	2	Appointed with effect from 11 Aug 2011
Dr Rashid Bajwa	3	

Human Resource Committee

Terms of Reference

This Committee comprises five members including its Chairman. Four members are non-executive directors, while one is independent director. It reviews all HR related matters of the Company.

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

	Attendance	Remarks
Dr Nadeem Inayat	2	
Brig Liaqat Ali (Retd)	2	
Brig Jawaid Rashid Dar (Retd)	1	
Brig Parvez Sarwar Khan (Retd)	1	
Mr Naved A. Khan	2	

Board's Performance

To evaluate the effectiveness of the Company, the Board has a clear idea of its ultimate goals, and the means being used to achieve those goals. The Board has defined systems and controls to cater for professional standards and corporate values, which promoted integrity of the Board as well as the Company. Excellent performance of the Company is as a result of precise, reckonable, feasible and pragmatic decisions and policies set out by the Board of Directors of the Company.

Following are the major functions of the Company, which evaluate the Board's performance:-

- Enhancement in shareholders' value
- Implementation of Corporate Governance
- Financial performance of the Company
- Fulfillment of regulatory requirements
- Balancing, Modernization and Revamping of existing facilities
- Diversification
- Employee turnover and retention

CEO's Performance Review

The Chief Executive Officer is appointed by the Board of Directors for a period of three years. The Board establishes each year a list of goals, performance objectives and priorities that are the strategies deemed necessary in achieving overall milestones of the Company. The primary purpose of an evaluation is to bring the CEO and the Board together to discuss how their performance and priorities contribute towards the growth of the Company. The emphasis, in reviewing CEO's performance on 'identifying what works well', and 'what needs improvement'. The Board presents itself as a monitor by giving free hand to CEO in managing and implementing the predetermined key indicators of success.

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

Business Challenges & Future Outlook

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

Although the company has managed to achieve the record profits in year 2011, however year 2012 would be a challenging year due to recent fall in international DAP prices and expected volatility in input / output prices, gas curtailment and hike in fuel prices. Despite all challenges FFBL is committed to perform excellently and deliver best possible result under the circumstances. We shall continue to meet our strategic objectives, long term goals and contribute towards country's betterment.

For and on behalf of the Board

Lt Gen Muhammad Mustafa Khan
HI(M), (Retired), Chairman
26 Jan 2012


SPEEDAC PANEL.J
سونا

financial statements
for the year ended December 31, 2011

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 three independent directors, 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 Development Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurred in the Board on 10 Aug 2011, which was filled up by the directors within 30 days thereof.
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/determination of remuneration and terms/ 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. Orientation courses organized by local / international institutions were attended by various directors during the year 2011 and such like courses are also planned for the year 2012. All Directors are well aware of their duties & responsibilities.
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 approved the appointment of Company Secretary, including 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 five members, of whom four are non executive directors including the Chairman of the committee and one independent director.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the 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
26 Jan 2012

Lt Gen Muhammad Zaki, HI, HI(M), (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 Regulation No. 35 of Karachi Stock Exchange (Guarantee) Limited, Listing Regulation No. 35 of Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulation 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 19 January 2009 requires the Company to place before the Board of Directors 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 transaction 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 31 December 2011.

ISLAMABAD
26 Jan 2012

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 , 2011 and the related profit and loss accounts, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and the to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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 , 2011 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
26 Jan 2012

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

Balance Sheet
as at December 31, 2011

	Note	2011	2010
		(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	6,380
Translation reserve		684,073	684,471
Accumulated profit		3,375,779	1,949,731
		13,635,682	12,210,032
NON - CURRENT LIABILITIES			
Long term loan and deferred Government assistance	8	3,241,002	3,889,203
Deferred liabilities	9	3,640,142	3,847,730
		6,881,144	7,736,933
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	10	10,671,400	8,469,073
Mark - up accrued	11	204,389	156,095
Short term borrowings	12	7,476,144	5,652,724
Current portion of:			
- Long term financing	6	-	208,472
- Long term murabaha	7	-	19,338
- Long term loan and deferred Government assistance	8	648,201	648,201
Provision for income tax - net		659,304	235,124
		19,659,438	15,389,027
		40,176,264	35,335,992
CONTINGENCIES AND COMMITMENTS	14		

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

	Note	2011	2010
		(Rupees '000)	
NON - CURRENT ASSETS			
Property, plant and equipment	15	14,410,169	14,632,700
Intangible assets	15	46,399	74,060
Long term investments	16	2,710,837	2,235,255
Long term deposits		76,312	76,312
		17,243,717	17,018,327
CURRENT ASSETS			
Stores and spares	17	1,905,738	1,795,294
Stock in trade	18	3,406,993	1,270,667
Trade debts	19	646,516	829,985
Advances	20	440,050	221,306
Trade deposits and short term prepayments	21	12,920	13,982
Interest accrued		51,041	50,914
Other receivables	22	2,180,232	99,009
Sales tax refundable		66,457	66,457
Short term investments	23	8,838,237	1,250,000
Cash and bank balances	24	5,384,363	12,720,051
		22,932,547	18,317,665
		40,176,264	35,335,992

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

Profit and Loss Account
for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
Turnover	25	**55,868,834**	43,256,712
Cost of sales	26	**(35,753,264)**	(29,793,541)
GROSS PROFIT		**20,115,570**	13,463,171
Selling and distribution expenses	27	**(2,553,795)**	(2,584,683)
Administrative expenses	28	**(777,290)**	(700,172)
		16,784,485	10,178,316
Finance cost	29	**(1,087,870)**	(933,996)
Other operating expenses	30	**(1,177,080)**	(712,524)
		14,519,535	8,531,796
Other operating income			
Share of profit of joint venture and associates - net	16	**240,695**	120,818
Others	31	**1,409,714**	1,033,164
		1,650,409	1,153,982
PROFIT BEFORE TAXATION		**16,169,944**	9,685,778
Taxation	32	**(5,402,796)**	(3,171,329)
PROFIT AFTER TAXATION		**10,767,148**	6,514,449
Earnings per share - basic and diluted (Rupees)	33	**11.53**	6.97

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

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

Statement of Comprehensive Income
for the year ended December 31, 2011

	2011	2010
	(Rupees '000)	
Profit after taxation	**10,767,148**	6,514,449
Other comprehensive income		
Exchange difference on translating a joint venture	**(398)**	(13,534)
Total comprehensive income	**10,766,750**	6,500,915

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

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

Cash Flow Statement
for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**15,354,788**	13,163,938
Finance cost paid		**(780,319)**	(845,924)
Taxes paid		**(5,244,030)**	(4,259,738)
Payment to Gratuity Fund		**(46,282)**	(28,497)
Compensated absences paid		**(9,483)**	(8,736)
Payment to Workers' (Profit) Participation Fund		**(921,005)**	(503,549)
Payment to Workers' Welfare Fund		**-**	(129,543)
Net cash generated from operating activities		**8,353,669**	7,387,951
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		**(1,089,895)**	(457,420)
Long term investment		**(235,285)**	-
Proceeds from sale of property, plant and equipment		**6,046**	9,317
Long term deposits		**-**	234
Short term investments		**(6,625,219)**	777,926
Profit received on bank balances and term deposits		**436,234**	540,927
Net cash (used in) / generated from investing activities		**(7,508,119)**	870,984
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		**(208,472)**	(416,944)
Long term murabaha - repayments		**(19,338)**	(38,679)
Long term loan - repayments		**(648,201)**	(648,201)
Short term borrowings - net		**2,168,762**	1,626,238
Dividend paid		**(9,128,647)**	(5,155,365)
Net cash used in financing activities		**(7,835,896)**	(4,632,951)
Net (decrease) / increase in cash and cash equivalents		**(6,990,346)**	3,625,984
Cash and cash equivalents at beginning of the year		**12,543,565**	8,917,581
Cash and cash equivalents at end of the year		**5,553,219**	12,543,565
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
- Cash and bank balances	24	**5,384,363**	12,720,051
- Short term highly liquid investments	23	**1,250,000**	1,250,000
- Short term running finance		**(1,081,144)**	(1,426,486)
		5,553,219	12,543,565

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

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

Statement of Changes in Equity
for the year ended December 31, 2011

	Share capital	Reserves: Capital reserve	Reserves: Statutory reserve	Reserves: Translation reserve	Accumulated profit	Total
	(Rupees '000)					
Balance as at January 01, 2010	9,341,100	228,350	6,380	698,005	386,066	10,659,901
Total comprehensive income						
Profit for the year after taxation	-	-	-	-	6,514,449	6,514,449
Other comprehensive income for the year	-	-	-	(13,534)	-	(13,534)
Total comprehensive income for the year	-	-	-	(13,534)	6,514,449	6,500,915
Transactions with owners, recorded directly in equity						
Distributions to owners						
Final dividend 2009 (Rs. 2.25 per ordinary share)	-	-	-	-	(2,101,748)	(2,101,748)
Ist interim dividend 2010 (Rs. 0.5 per ordinary share)	-	-	-	-	(467,055)	(467,055)
2nd interim dividend 2010 (Rs. 1.30 per ordinary share)	-	-	-	-	(1,214,343)	(1,214,343)
3rd interim dividend 2010 (Rs. 1.25 per ordinary share)	-	-	-	-	(1,167,638)	(1,167,638)
Total transactions with owners	-	-	-	-	(4,950,784)	(4,950,784)
Balance as at December 31, 2010	9,341,100	228,350	6,380	684,471	1,949,731	12,210,032
Balance as at January 01, 2011	9,341,100	228,350	6,380	684,471	1,949,731	12,210,032
Total comprehensive income						
Profit for the year after taxation	-	-	-	-	10,767,148	10,767,148
Other comprehensive income for the year	-	-	-	(398)	-	(398)
Total comprehensive income for the year	-	-	-	(398)	10,767,148	10,766,750
Transactions with owners, recorded directly in equity						
Distributions to owners						
Final dividend 2010 (Rs. 3.50 per ordinary share)	-	-	-	-	(3,269,384)	(3,269,384)
Ist interim dividend 2011 (Rs. 1.25 per ordinary share)	-	-	-	-	(1,167,638)	(1,167,638)
2nd interim dividend 2011 (Rs. 2.25 per ordinary share)	-	-	-	-	(2,101,748)	(2,101,748)
3rd interim dividend 2011 (Rs. 3.0 per ordinary share)	-	-	-	-	(2,802,330)	(2,802,330)
Total transactions with owners	-	-	-	-	(9,341,100)	(9,341,100)
Balance as at December 31, 2011	**9,341,100**	**228,350**	**6,380**	**684,073**	**3,375,779**	**13,635,682**

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

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

Notes to the Financial Statements
for the year ended December 31, 2011

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance,1984, and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The registered office of the Company is situated at Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi, Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers. The Company commenced its commercial production effective January 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 principal ones being in respect of increase in remuneration, the expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

2.4.2 Property, plant and equipment

The 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 impairment loss, if any.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Employees' retirement benefits

The Company has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

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

Gratuity Fund - Defined Benefit Scheme

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

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 other comprehensive income.

Current

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

Deferred

Deferred tax is 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 Fixed assets

3.3.1 Property, plant and equipment and capital work in progress

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are 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.

3.3.2 Intangibles

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

3.4 Borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are 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 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 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.

3.5.3 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.

3.5.4 Investment available for sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are 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, if any.

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

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.

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, if any. 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 amortised 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 through other comprehensive income.

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 less impairment, if any.

Cost is determined as follows:

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

Net 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 amortised 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 amortised cost, which approximates the fair value of consideration to be paid in future for goods and services received, whether or not billed to the Company.

Trade debts and other receivables

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

Off-setting of financial assets and liabilities

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

3.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances, short term highly liquid investments and short term running finance.

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 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 on accrual basis.

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 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.

3.19 Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gain on disposal of available-for-sale financial assets and changes in the fair value of investments held for trading. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date when 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, 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.

3.20 New accounting standards and IFRIC interpretations

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:

- Amendments to IAS 12 - Deferred tax on Investment Property (effective 1 January 2012)

The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 27 - Separate Financial Statements (effective 1 January 2013)

IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 - Investments in Associates and Joint Ventures (effective 1 January 2013)

IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- IAS 19 - Employee Benefits (amended 2011) (effective 1 January 2013)

The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company does not plan to adopt this change early and the extent of the impact has not been determined.

- Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Amendments to IFRS 7 - Transfers of Financial Assets (effective 1 July 2011)

The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

- Amendments to IFRS 7 - Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013)

The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment may result in certain additional disclosures and presentational changes without any impact on the results of operations.

- IFRIC 20 - Stripping Cost in the Production Phase of a Surface Mining (effective 1 January 2013)

The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

	2011	2010
	(Rupees '000)	

4. SHARE CAPITAL

4.1 ISSUED, SUBSCRIBED AND PAID - UP CAPITAL

	2011	2010
934,110,003 Ordinary shares of Rs. 10 each issued for cash	**9,341,100**	9,341,100

4.2 The holding company and Fauji Foundation held 475,232,996 and 161,501,286 (2010: 475,232,996 and 161,501,286) ordinary shares respectively of the Company at the year end.

4.3 AUTHORIZED SHARE CAPITAL

	2011	2010
	(Rupees '000)	
1,100,000,000 Ordinary shares of Rs. 10 each	**11,000,000**	11,000,000

5. CAPITAL RESERVE

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

6. LONG TERM FINANCING - SECURED

	2011	2010
	(Rupees '000)	
From banking companies and financial institutions		
Habib Bank Limited (HBL)	-	64,899
Standard Chartered Bank (Pakistan) Limited (SCB)	-	37,110
MCB Bank Limited (MCB)	-	63,974
Askari Bank Limited (AKBL)	-	14,287
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited (SAPICO)	-	5,346
Pak Kuwait Investment Company (Pvt) Limited (PKIC)	-	22,856
	-	208,472
Less: Current portion shown under current liabilities	-	208,472
	-	-

The Company has repaid the long term financing from banking companies and financial institutions in full. This financing was secured aganist first equitable mortgage charge created on all immovable properties of the Company and by way of hypothecation of movable properties of the Company.

7. LONG TERM MURABAHA - SECURED

	2011	2010
	(Rupees '000)	
Faysal Bank Limited (FBL) - a related party	-	19,338
Less: Current portion shown under current liabilities	-	19,338
	-	-

The Company has repaid the long term murabaha in full. This facility was 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.

		Note	2011	2010
			(Rupees '000)	
8.	**LONG TERM LOAN AND DEFERRED GOVERNMENT ASSISTANCE - UNSECURED**			
	Government of Pakistan (GoP) loan	**8.1**	**3,089,673**	3,493,342
	Less: Current portion shown under current liabilities		**648,201**	648,201
			2,441,472	2,845,141
	Deferred Government assistance	**8.1**	**799,530**	1,044,062
			3,241,002	3,889,203

8.1 This represents balance amount of GoP loan amounting in total of 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. 244,532 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. Pursuant to the approval of Ministry of Finance (MoF) Government of Pakistan (GoP), the Company appointed consultants for examination of the Company's financial record relating to the Company's determination of the amount of excess cash and prepayment to GoP. The draft report of consultant is under consideration and has been submitted to MoF for review and concurrence. Accordingly the management believes that excess cash will be paid once review of report and concurrence with the methodology is finalized between the parties.

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, 2011. The Company is making efforts in getting this guarantee released.

		Note	2011	2010
			(Rupees '000)	
9.	**DEFERRED LIABILITIES**			
	Compensated leave absences	**9.1**	**233,267**	175,441
	Deferred tax	**9.2**	**3,406,875**	3,672,289
			3,640,142	3,847,730

9.1 Actuarial valuation has not been carried out as the impact is considered to be immaterial.

		Note	2011	2010
9.2	**The balance of deferred tax is in respect of the following major taxable temporary differences:**			
	Accelerated depreciation		**3,489,403**	3,754,372
	Provision against doubtful receivables		**(18,734)**	(18,734)
	Share of profit of associates		**2,034**	3,471
	Provision for inventory obsolescence		**(65,828)**	(66,820)
		9.2.1	**3,406,875**	3,672,289
9.2.1	**The movement of deferred tax during the current year is as follows:**			
	Opening balance		**3,672,289**	3,909,006
	Reversal for the year		**(265,414)**	(236,717)
	Closing balance		**3,406,875**	3,672,289

9.2.2 At December 31, 2011, a deferred tax liability of Rs. 260,423 thousand (2010: Rs. 171,295 thousand) on temporary difference of Rs. 744,066 thousand (2010: Rs. 489,410 thousand) related to investment in the joint venture was not recognized as the Company controls the timing of reversal of temporary differences.

		Note	2011	2010
			(Rupees '000)	
10.	**TRADE AND OTHER PAYABLES**			
	Creditors		**6,959,609**	3,995,077
	Accrued liabilities		**1,450,216**	1,332,934
	Advances from customers		**726,978**	2,263,512
	Workers' (Profit) Participation Fund - unsecured	**10.1**	**17,241**	69,866
	Payable to Gratuity Fund - unsecured	**13**	**26,747**	20,757
	Workers' Welfare Fund		**650,744**	343,114
	Unclaimed dividend		**394,507**	182,054
	Withholding tax payable		**2,786**	2,774
	Sales tax payable - net		**280,242**	-
	Other payables		**162,330**	258,985
			10,671,400	8,469,073
10.1	**Workers' (Profit) Participation Fund (WPPF)**			
	Balance at beginning of the year		**69,866**	52,302
	Interest on funds utilised in the Company's business		**1,139**	1,247
	Allocation for the year	**30**	**867,241**	519,866
			938,246	573,415
	Payment to WPPF during the year		**(921,005)**	(503,549)
			17,241	69,866

		Note	2011	2010
			(Rupees '000)	
11.	**MARK - UP ACCRUED**			
	On long term financing			
	from banking companies and financial institutions		-	6,719
	On long term murabaha		-	623
	On short term borrowings		**204,389**	148,753
			204,389	156,095
12.	**SHORT TERM BORROWINGS - SECURED**			
	From banking companies and financial institutions	**12.1**	**7,476,144**	5,652,724
			7,476,144	5,652,724

12.1 The Company has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs. 19,735,000 thousand (2010: Rs. 19,450,000 thousand). These facilities carry mark-up ranging from 12.04% to 14.23% per annum (2010: 4.31% to 14.39% 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.

		2011	2010
		(Rupees '000)	
13.	**GRATUITY FUND**		
a)	**Reconciliation of amounts recognised in the balance sheet is as follow:**		
	Present value of defined benefit obligation	**287,097**	227,243
	Fair value of plan assets	**(196,583)**	(143,278)
	Deficit	**90,514**	83,965
	Non vested past service cost	**-**	(1,424)
	Net actuarial losses not recognized	**(63,767)**	(61,784)
		26,747	20,757
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	**227,243**	155,823
	Current service cost	**36,200**	23,074
	Interest cost	**31,097**	21,815
	Benefits paid during the year	**(10,242)**	(11,025)
	Non vested past service cost to be recognized	**-**	1,424
	Actuarial loss	**2,799**	36,132
	Present value of defined benefit obligation at end of the year	**287,097**	227,243

		2011	2010
		(Rupees '000)	
c)	**The movement in fair value of plan assets is as follows:**		
	Fair value of plan assets at beginning of the year	**143,278**	106,539
	Expected return on plan assets	**20,355**	14,915
	Contributions	**46,282**	27,220
	Benefits paid on behalf of the fund	**-**	1,277
	Benefits paid during the year	**(10,242)**	(11,025)
	Actuarial (loss) / gain	**(3,090)**	4,352
	Fair value of plan assets at end of the year	**196,583**	143,278
d)	**Plan assets comprise of:**		
	Investment in listed securities	**60,121**	56,002
	Investment in bonds	**27,798**	26,033
	Cash and bank balances	**108,664**	61,243
		196,583	143,278
e)	Actual return on plan assets	**17,265**	19,267
	Contributions expected to be paid to the plan during the next financial year	**52,408**	57,953

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.

		2011	2010
		(Rupees '000)	
g)	**Movement in liability recognised in the balance sheet:**		
	Opening liability	**20,757**	14,473
	Expense for the year	**52,272**	34,781
	Payment on behalf of the fund	**-**	(1,277)
	Payments to the fund during the year	**(46,282)**	(27,220)
	Closing liability	**26,747**	20,757
h)	**Amount recognised in the profit and loss account is as follows:**		
	Current service cost	**36,200**	23,074
	Interest cost	**31,097**	21,815
	Expected return on plan assets	**(20,355)**	(14,915)
	Actuarial losses recognised	**5,330**	4,807
		52,272	34,781
i)	**The expense is recognised in the following line items in the profit and loss account:**		
	Cost of sales	**41,657**	28,000
	Administrative expenses	**10,615**	6,781
		52,272	34,781

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:

	2011	2010	2009	2008	2007
			(Rupees '000)		
Present value of defined benefit obligation	**287,097**	227,243	155,823	129,187	95,727
Fair value of plan assets	**(196,583)**	(143,278)	(106,539)	(66,509)	(68,510)
Deficit	**90,514**	83,965	49,284	62,678	27,217
Experience adjustments					
- on obligations	**2,799**	36,132	3,609	18,357	15,417
- on plan assets	**3,090**	4,352	14,789	(11,628)	4,841

k) Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2011 are as follows:

	2011	2010
Discount rate	**12.50%**	14.00%
Expected rate of salary growth	**12.50%**	14.00%
Expected rate of return on plan assets	**12.50%**	14.00%

		2011	2010
		(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.	**141,489**	25,097
	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.	**-**	96,390
	iv) Company's share of contingent liabilities of Fauji Cement Company Limited as at September 30, 2011.	**37,656**	37,537
	v) Company's share of contingent liabilities of Foundation Wind Energy - I Limited as at September 30, 2011.	**7,595**	-
	vi) Company's share of contingent liabilities of Foundation Wind Energy - II (Pvt) Limited as at September 30, 2011.	**7,595**	-
	Commitments		
	i) Capital expenditure - contracted.	**606,689**	885,252
	ii) Letters of credit for purchase of raw material and stores and spares.	**1,099,260**	1,231,048
	iii) Commitments with Fauji Foundation for investment in wind projects.	**4,764,715**	5,000,000
	iv) Company's share of commitments of Fauji Cement Company Limited as at September 30, 2011.	**28,860**	8,167
	v) Company's share of commitments of Pakistan Maroc Phosphore S.A, Morocco as at September 30, 2011.	**8,784**	16,013
	vi) Company's share of commitments of Foundation Wind Energy - I Limited as at September 30, 2011.	**1,627,214**	-
	vii) Company's share of commitments of Foundation Wind Energy - II (Pvt) Limited as at September 30, 2011.	**1,779,887**	-

15. FIXED ASSETS

	PROPERTY, PLANT AND EQUIPMENT											INTANGIBLES
	Leasehold land	Freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress (note 15.1)	Total	
	(Rupees '000)												(Rupees '000)
COST													
Balance as at January 01, 2010	213,350	120,000	1,549,318	22,156,967	4,664	146,119	32,133	32,705	1,788	211,950	705,502	25,174,496	-
Additions during the year	-	-	21,138	-	1,651	103,706	16,718	34,873	186	-	279,148	457,420	-
Disposals	-	-	-	(232)	-	(18,482)	-	(81)	-	-	-	(18,795)	-
Adjustments	-	-	-	-	63	(6,266)	(516)	711	-	(37,353)	-	(43,361)	-
Transfers	-	-	-	64,558	-	-	5,286	67,550	-	-	(236,141)	(98,747)	98,747
Balance as at December 31, 2010	213,350	120,000	1,570,456	22,221,293	6,378	225,077	53,621	135,758	1,974	174,597	748,509	25,471,013	98,747
Balance as at January 01, 2011	213,350	120,000	1,570,456	22,221,293	6,378	225,077	53,621	135,758	1,974	174,597	748,509	25,471,013	98,747
Additions during the year	-	-	84,464	-	978	46,107	7,384	13,393	112	-	927,999	1,080,437	9,458
Disposals	-	-	(90)	(2,000)	-	(23,140)	(34)	(331)	-	-	-	(25,595)	-
Transfers	-	-	-	120,885	-	-	-	-	-	-	(120,885)	-	-
Balance as at December 31, 2011	**213,350**	**120,000**	**1,654,830**	**22,340,178**	**7,356**	**248,044**	**60,971**	**148,820**	**2,086**	**174,597**	**1,555,623**	**26,525,855**	**108,205**
DEPRECIATION													
Balance as at January 01, 2010	69,195	-	436,820	8,920,036	838	48,602	7,834	15,421	759	98,092	-	9,597,597	-
Additions during the year	4,640	-	46,540	1,108,289	571	52,168	6,419	32,344	690	38,048	-	1,289,709	24,687
Disposals	-	-	-	(120)	-	(11,517)	-	(2)	-	-	-	(11,639)	-
Adjustments	-	-	-	-	-	-	(418)	417	-	(37,353)	-	(37,354)	-
Balance as at December 31, 2010	73,835	-	483,360	10,028,205	1,409	89,253	13,835	48,180	1,449	98,787	-	10,838,313	24,687
Balance as at January 01, 2011	73,835	-	483,360	10,028,205	1,409	89,253	13,835	48,180	1,449	98,787	-	10,838,313	24,687
Additions during the year	4,639	-	47,713	1,105,882	728	59,175	8,374	41,470	227	27,772	-	1,295,980	37,119
Disposals	-	-	(12)	(1,150)	-	(17,299)	(17)	(129)	-	-	-	(18,607)	-
Balance as at December 31, 2011	**78,474**	**-**	**531,061**	**11,132,937**	**2,137**	**131,129**	**22,192**	**89,521**	**1,676**	**126,559**	**-**	**12,115,686**	**61,806**
Written down value - 2010	139,515	120,000	1,087,096	12,193,088	4,969	135,824	39,786	87,578	525	75,810	748,509	14,632,700	74,060
Written down value - 2011	**134,876**	**120,000**	**1,123,769**	**11,207,241**	**5,219**	**116,915**	**38,779**	**59,299**	**410**	**48,038**	**1,555,623**	**14,410,169**	**46,399**
Rate of depreciation	**2 to 4%**	**-**	**3%**	**5%**	**10%**	**20 to 33%**	**15%**	**33 to 50%**	**30%**	**17 to 50%**	**-**		**33%**

		Note	2011	2010
			(Rupees '000)	
15.1	**CAPITAL WORK IN PROGRESS**			
	This is made up as follows:			
	Plant and machinery including advances to suppliers		**1,324,743**	716,782
	Civil works		**230,880**	31,727
			1,555,623	748,509
15.2	**Depreciation and amortisation charge has been allocated as follows:**			
	Cost of sales	**26**	**1,312,000**	1,292,523
	Administrative expenses	**28**	**21,099**	21,873
			1,333,099	1,314,396

			Cost	Book value	Sale proceeds
			(Rupees '000)		
15.3	**Details of property, plant and equipment sold:**				
	Vehicles				
	As per Company policy to executives				
	Maj. (R) Shoukat Beg		1,354	903	1,111
	Mr. Muhammad Nauman Younas		994	62	256
	Mr. Shabbir Ahmed Memon		929	372	137
	Mr. Ashfaq Ahmed		952	325	137
	Mr. Danyal Ahuja		915	181	137
	Mr. Usman Ibrahim		1,095	753	944
	Mr. Kashif Jamil		1,020	277	227
	Mr. Muhammad Asif Nakhuda		1,286	371	190
	Mr. Syed Ali Noman Raza		1,407	463	310
	Mr. Muhammad Shahid		1,020	288	227
	Mr. Zulfiqar Haider Naqvi		1,336	677	196
	Mr. Muhammad Irfan Anwar		1,029	194	233
	Mr. Naveed Hisam		1,020	151	227
	Mr. Bilal Qamar		929	113	137
	Mr. Shahid Majeed		900	186	132
	Mr. Muhammad Saeed Uppal		1,404	527	486
	Plant and machinery				
	Write off		2,000	850	-
	Aggregate of items of property, plant and equipment with individual book value below Rs. 50,000		6,005	295	959
		2011	**25,595**	**6,988**	**6,046**
		2010	18,795	7,156	9,317

	Note	2011	2010
		(Rupees '000)	
16. LONG TERM INVESTMENTS			
Investment in joint venture - equity method			
Pakistan Maroc Phosphore S.A, Morocco	16.1		
Balance brought forward		1,900,560	1,795,989
Share of profit		255,054	118,105
Loss during the year on translation of net assets	16.1.2	(398)	(13,534)
Closing balance		2,155,216	1,900,560
Investment in associates - equity method			
Fauji Cement Company Limited (FCCL)	16.2		
Balance brought forward		334,695	331,983
Share of profit		8,171	2,712
Closing balance		342,866	334,695
Advance against issue of shares - Foundation Wind Energy-I Limited	16.3	131,160	-
Share of loss		(11,751)	-
Closing balance		119,409	-
Advance against issue of shares - Foundation Wind Energy-II (Pvt) Limited	16.3	104,125	-
Share of loss		(10,779)	-
Closing balance		93,346	-
Investment - available for sale - unquoted			
Arabian Sea Country Club Limited (ASCCL)	16.4		
300,000 ordinary shares of Rs. 10 each		3,000	3,000
Less: Impairment in value of investment		3,000	3,000
		-	-
		2,710,837	2,235,255

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, if any legal restriction are laid on dividends by Pakistan Maroc Phosphor S.A., the Company's equity will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

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

	September 2011	September 2010	September 2011	September 2010	September 2011	September 2010	September 2011	September 2010
	PMP (Joint venture)		FCCL (Associate)		Foundation Wind Energy-I (Associate)		Foundation Wind Energy-II (Associate)	
	(Rupees '000)							
Non - current assets	**13,819,766**	15,334,867	**27,808,729**	25,409,061	**14,406**	-	**31,946**	-
Non - current liabilities	**(7,335,342)**	(9,518,186)	**(12,246,697)**	(14,024,677)	**-**	-	**(100,090)**	-
Current assets	**14,646,899**	12,598,897	**4,575,385**	2,297,921	**131,837**	-	**136,844**	-
Current liabilities	**(12,510,466)**	(10,003,607)	**(6,648,437)**	(3,912,505)	**(6,184)**	-	**(7,345)**	-
Revenue for the period	**24,215,172**	17,473,345	**4,119,151**	2,890,334	**1,040**	-	**1,579**	-
Expenses for the period	**(23,949,274)**	(16,629,308)	**(3,840,804)**	(2,727,893)	**(34,617)**	-	**(32,376)**	-
Profit / (loss) for the period	**265,898**	844,037	**278,347**	162,441	**(33,577)**	-	**(30,797)**	-

Financial statements for the period ended September 30, 2011 have been used for accounting under equity method as these were the latest approved financial statements.

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

16.2 Fair value of investment in FCCL as at December 31, 2011 was Rs. 61,875 thousand (2010: Rs. 94,125 thousand). The management, however believes that the recoverable amount of this investment is higher than the fair value as at December 31, 2011. The Company holds 1.36% 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 recoverable amount of the investment in Fauji Cement Company Limited was tested for impairment based on value in use, in accordance with IAS - 36. The value in use calculations are based on cash flow projections based on the budget and forecasts approved by management for 2011. These are then extrapolated for a period of 5 years using a steady long term expected demand growth of 3% p.a. (2010: 2% p.a.) and terminal value determined based on long term earning multiples. The cash flows are discounted using a post-tax discount rate of 15.06% p.a. (2010: 12.06% p.a.). Based on this calculation, no impairment has been accounted for.

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 Foundation energy - I Limited (formerly Beacon Energy Limited) and Foundation Wind Energy - II (Private) Limited (formerly Green Power (Private) Limited) are in a process of setting up 49.5 MW wind power plant each. Total estimated cost for each plant is US$ 130 million. Pursuant to Share Holders Agreement dated 08 March 2011 the Company will eventually hold 35% shareholding in Foundation Wind Energy-I and Foundation Wind Energy-II. The projects are expected to commence commercial production in 2013.

16.4 As per audited accounts of ASCCL for the year ended June 30, 2011, the break-up value of an ordinary share was Rs.7.90 (June 30, 2010: Rs. 11.14).

Notes to the Financial Statements
for the year ended December 31, 2011

		Note	2011	2010
			(Rupees '000)	
17.	**STORES AND SPARES**			
	Stores		**337,626**	339,050
	Spares		**1,756,192**	1,647,158
	Provision for obsolescence		**(188,080)**	(190,914)
			1,905,738	1,795,294
18.	**STOCK IN TRADE**			
	Packing materials		**74,877**	85,554
	Raw materials		**358,638**	907,024
	Raw materials in transit		**2,595,304**	-
	Work in process		**40,956**	29,493
	Finished goods		**337,218**	248,596
			3,406,993	1,270,667
19.	**TRADE DEBTS**			
	Considered good		**646,516**	829,985
			646,516	829,985
20.	**ADVANCES**			
	Advances to:			
	- Executives, unsecured considered good		**13,098**	10,975
	- Other employees, unsecured considered good		**17,046**	12,984
	Advances to suppliers and contractors			
	- Considered good		**409,906**	197,347
	- Considered doubtful		**45**	45
			409,951	197,392
	Provision for doubtful advances		**(45)**	(45)
			409,906	197,347
			440,050	221,306
21.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**			
	Security deposits		**1,892**	1,292
	Prepayments		**11,028**	12,690
			12,920	13,982
22.	**OTHER RECEIVABLES**			
	Due from the holding company - unsecured considered good	**22.1**	**2,124,704**	-
	Other receivables			
	- Considered good		**55,528**	99,009
	- Considered doubtful		**53,482**	53,482
			109,010	152,491
	Provision for doubtful receivables		**(53,482)**	(53,482)
			55,528	99,009
			2,180,232	99,009

22.1 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.

	Note	2011	2010
		(Rupees '000)	
23. SHORT TERM INVESTMENTS			
Loans and receivables			
Term deposits with banks and financial institutions		**1,250,000**	1,250,000
Investments at fair value through profit or loss - held for trading			
Money market funds		**7,588,237**	-
		8,838,237	1,250,000
24. CASH AND BANK BALANCES			
Deposit accounts - in local currency	24.1	**4,978,875**	9,219,307
- in foreign currency		**1,607**	1,604
		4,980,482	9,220,911
Current accounts		**403,406**	3,498,940
Cash in hand		**475**	200
		5,384,363	12,720,051

24.1 This includes Rs. 126,541 thousand (2010: Rs. 208,060 thousand) held under lien by the commercial banks against credit facilities.

	Note	2011	2010
		(Rupees '000)	
25. TURNOVER			
Gross Sales		**63,795,916**	43,755,135
Less: Sales tax		**7,893,824**	-
Trade discounts		**11,347**	474,796
Commission to the holding company	25.1	**21,911**	23,627
		7,927,082	498,423
		55,868,834	43,256,712

25.1 Commission is paid @ Re. 1 per bag sold by the holding company, based on inter company services agreement.

Notes to the Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
26. COST OF SALES			
Raw materials consumed		**28,950,284**	23,045,884
Packing materials consumed		**597,044**	590,542
Fuel and power		**2,048,095**	2,339,022
Chemicals and supplies consumed		**193,920**	161,565
Salaries, wages and benefits	**26.1**	**1,512,249**	1,316,216
Rent, rates and taxes		**26,781**	25,116
Insurance		**103,747**	79,200
Travel and conveyance		**138,848**	74,921
Repairs and maintenance		**852,555**	901,639
Communication, establishment and other expenses		**117,826**	68,936
Depreciation	**15.2**	**1,312,000**	1,292,523
Opening stock - work in process		**29,493**	5,140
Closing stock - work in process		**(40,956)**	(29,493)
Cost of goods manufactured		**35,841,886**	29,871,211
Opening stock - finished goods		**248,596**	170,926
Closing stock - finished goods		**(337,218)**	(248,596)
Cost of sales		**35,753,264**	29,793,541

26.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 41,657 thousand, Rs. 28,822 thousand and Rs. 49,289 thousand respectively. (2010: Rs. 28,000 thousand, Rs. 23,972 thousand and Rs. 29,006 thousand respectively).

	Note	2011	2010
		(Rupees '000)	
27. SELLING AND DISTRIBUTION EXPENSES			
Product transportation		**1,908,204**	1,913,978
Expenses charged by the holding company	**27.1**		
Salaries, wages and benefits		**435,032**	481,078
Rent, rates and taxes		**31,957**	39,101
Technical services		**3,927**	5,754
Travel and conveyance		**41,901**	44,220
Sales promotion and advertising		**19,191**	21,612
Communication, establishment and other expenses		**73,013**	37,393
Warehousing expenses		**29,529**	27,674
Depreciation		**11,041**	13,873
		645,591	670,705
		2,553,795	2,584,683

27.1 This represents common expenses charged by the holding company on account of marketing of the Company's products based on an inter company services agreement.

	Note	2011	2010
		(Rupees '000)	
28. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	**28.1**	**501,232**	360,345
Travel and conveyance		**128,400**	80,317
Utilities		**5,061**	4,777
Printing and stationery		**8,804**	10,116
Repairs and maintenance		**11,589**	17,930
Communication, advertisement and other expenses		**42,005**	23,709
Rent, rates and taxes		**8,489**	7,755
Listing fee		**738**	389
Donations	**28.2**	**6,499**	130,960
Legal and professional		**12,293**	16,266
Depreciation	**15.2**	**21,099**	21,873
Miscellaneous		**31,081**	25,735
		777,290	700,172

28.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs. 10,615 thousand, Rs. 9,040 thousand and Rs. 18,020 thousand respectively (2010: Rs. 6,781 thousand, Rs. 6,780 thousand and Rs. 11,363 thousand respectively).

28.2 During the year, the Company has not paid donation to any organization in which any director or his spouse has interest. Last year the Company paid donation of Rs. 90,388 thousand to the following projects of Fauji Foundation (FF):

Particulars of project	Address	(Rupees '000) 2011	2010
Fauji Foundation Hospital	Jhelum Road, Rawalpindi	-	64,388
Foundation University	Islamabad	-	26,000

The following directors' interest in the projects of Fauji Foundation was limited to the extent of their involvement in Fauji Foundation as mangement personnel:

Lt Gen Hamid Rab Nawaz, HI(M) (Retd)
Mr Qaiser Javed
Dr Nadeem Inayat
Brig Liaqat Ali, TI(M) (Retd)
Brig Jawaid Rashid Dar, SI(M) (Retd)
Brig Pervez Sarwar Khan, SI(M) (Retd)

Notes to the Financial Statements
for the year ended December 31, 2011

	Note	2011	2010
		(Rupees '000)	
29. FINANCE COST			
Mark-up on long term financing			
- Banking companies and financial institutions		**3,541**	44,942
Mark-up on long term murabaha		**328**	4,169
Mark-up on short term borrowings		**811,478**	833,890
Interest on Workers' (Profit) Participation Fund		**1,139**	1,247
Bank charges		**13,266**	8,693
Exchange loss		**258,118**	41,055
		1,087,870	933,996
30. OTHER OPERATING EXPENSES			
Workers' (Profit) Participation Fund	**10.1**	**867,241**	519,866
Workers' Welfare Fund		**307,630**	191,668
Loss on sale of property, plant and equipment		**942**	-
Auditor's remuneration			
Fees - annual audit		**1,000**	750
Fees - half yearly review		**100**	100
Other certification & services		**117**	90
Out of pocket expenses		**50**	50
		1,267	990
		1,177,080	712,524
31. OTHER INCOME			
Income from financial assets			
Profit on bank balances and term deposits		**436,361**	475,022
Dividend on investment in money market funds		**913,955**	148,709
Unrealised gain on investment at fair value through profit or loss		**16,015**	-
Gain on sale of investments		**33,049**	370,281
		1,399,380	994,012
Income from assets other than financial assets			
Scrap sales and miscellaneous receipts		**10,334**	36,991
Gain on sale of property, plant and equipment		**-**	2,161
		1,409,714	1,033,164
32. TAXATION			
Current		**5,668,210**	3,408,046
Deferred		**(265,414)**	(236,717)
		5,402,796	3,171,329

32.1 Reconciliation of tax charge for the year:

	2011 (Rupees '000)	2011 %	2010 (Rupees '000)	2010 %
Profit before tax	**16,169,944**		9,685,778	
Tax on profit	**5,659,480**	**35.00**	3,390,022	35.00
Tax effect of lower rate on certain income	**(6,342)**	**(0.04)**	(1,060)	(0.01)
Tax effect of exempt income / permanent differences	**(250,342)**	**(1.55)**	(217,633)	(2.25)
	5,402,796	**33.41**	3,171,329	32.74

	2011	2010
	(Rupees '000)	
33. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after taxation (Rupees '000)	**10,767,148**	6,514,449
Weighted average number of ordinary shares in issue during the year (thousands)	**934,110**	934,110
Earnings per share - basic and diluted (Rupees)	**11.53**	6.97

There is no dilutive effect on the basic earnings per share of the Company for the year 2011.

	2011	2010
	(Rupees '000)	
34. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**16,169,944**	9,685,778
Adjustments for:		
Provision for gratuity	**52,272**	34,781
Exchange losses	**258,118**	41,055
Provision for compensated absences	**67,309**	40,369
Provision for Workers' (Profit) Participation Fund	**867,241**	519,866
Provision for Workers' Welfare Fund	**307,630**	191,668
Adjustment to property, plant and equipment	**-**	6,007
Depreciation	**1,333,099**	1,314,396
Finance cost	**829,752**	892,941
Gain on investments including dividend received	**(963,019)**	(518,990)
Share of profits of joint venture and associates	**(240,695)**	(120,818)
Profit on bank balances and term deposits	**(436,361)**	(475,022)
Loss / (gain) on sale of property, plant and equipment	**942**	(2,161)
Operating profit before working capital changes	**18,246,232**	11,609,870
Changes in working capital		
Stores and spares	**(110,444)**	(52,444)
Stock in trade	**(2,136,326)**	(43,654)
Trade debts	**183,469**	(353,257)
Advances	**(218,744)**	(3,009)
Trade deposits and short term prepayments	**1,062**	(9,175)
Other receivables	**(2,081,223)**	184,818
Trade and other payables	**1,470,762**	1,830,789
	(2,891,444)	1,554,068
	15,354,788	13,163,938

35. 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:

	2011		2010	
	Chief Executive	Executive	Chief Executive	Executive
	(Rupees '000)			
Managerial remuneration	7,573	528,875	7,684	390,527
Bonus	3,494	486,515	3,571	314,221
Contributory Provident Fund	340	26,331	381	19,026
Others	4,443	178,177	3,681	127,850
	15,850	1,219,898	15,317	851,624
No. of person (s)	1	230	1	172

The above are provided with medical facilities. Chief Executive and certain executives are also provided with the Company's maintained vehicles and household equipment and other benefits in accordance with the Company's policy. Gratuity is payable to the chief executive in accordance with the terms of employment while contribution for executives in respect of gratuity is on the basis of actuarial valuation. Leave encashment was paid to executives amounting to Rs.2,739 thousand (2010: Rs. 1,718 thousand) on separation in accordance with the Company's policy.

In addition, the other directors of the Company are paid meeting fee aggregating Rs. 550 thousand (2010: Rs. 770 thousand). No remuneration was paid to directors of the Company; (2010: Nil). The number of directors of the Company was 12 (2010: 12).

36. FINANCIAL INSTRUMENTS

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

Credit risk

Liquidity risk

Market risk

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

The Company's risk management policies are established to identify and 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.

36.1 Credit risk

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

	2011	2010
	(Rupees '000)	
Trade debts	**646,516**	829,985
Deposits	**78,204**	77,604
Advances	**30,144**	23,959
Interest accrued	**51,041**	50,914
Other receivables - net of provision	**2,180,232**	99,009
Short term investments	**8,838,237**	1,250,000
Bank balances	**5,383,888**	12,719,851
	17,208,262	15,051,322

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 holding company which amounts to Rs. 2,124,704 thousand (2010: Rs. Nil thousands) and which is included in total carrying amount of other receivables as at reporting date. At the balance sheet date this receivable is not overdue or impaired.

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

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

Impairment losses

As at the reporting date trade receivables of Rs.Nil (2010: Rs Nil) were over-due. Based on past experience, the management believes that no impairment allowance is necessary in respect of trade debts.

The Company has recorded an impairment loss of Rs. 3,000 thousand (2010 : Rs. 3,000 thousand) in respect of its investment in available-for-sale investments.

36.2 Liquidity risk

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

2011	**Carrying amount**	**Contractual cash flows**	**Six months or less**	**Six to twelve months**	**One to two years**	**Two to five years**	**Five years onwards**
	(Rupees '000)						
Long term loan	**3,889,203**	**3,889,203**	**648,201**	**-**	**648,201**	**1,944,600**	**648,201**
Trade and other payables	**9,661,394**	**9,661,394**	**9,661,394**	**-**	**-**	**-**	-
Short term borrowings including mark-up	**7,680,533**	**7,680,533**	**7,680,533**	**-**	**-**	**-**	-
	21,231,130	**21,231,130**	**17,990,128**	**-**	**648,201**	**1,944,600**	**648,201**

2010	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 murabaha	4,765,214	4,772,556	883,353	-	648,201	1,944,600	1,296,402
Trade and other payables	6,202,787	6,202,787	6,202,787	-	-	-	-
Short term borrowings including mark-up	5,801,477	5,801,477	5,801,477	-	-	-	-
	16,769,478	16,776,820	12,887,617	-	648,201	1,944,600	1,296,402

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.

36.2.1 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 8 and 12 to these financial statements.

36.3 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.

36.3.1 **Currency risk**

Exposure to Currency Risk

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

	2011		2010	
	Rupees '000	US Dollar '000	Rupees '000	US Dollar '000
Bank balances	1,607	18	1,604	19
Creditors	(6,053,541)	(67,299)	(3,417,020)	(39,853)
Short term loans	-	-	(1,179,426)	(13,756)
Net exposure	(6,051,934)	(67,281)	(4,594,842)	(53,590)

The following significant exchange rate applied during the year:

	Average rates		Balance sheet date rate (Bid-Offer average)	
	2011	2010	2011	2010
US Dollars	86.37	85.09	89.95	85.74

Sensitivity analysis

A 10% strengthening of the functional currency against USD at 31 December would have increased profit and loss by Rs. 605,193 thousand (2010 : Rs. 459,484 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.

36.3.2 **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	
	2011	2010
	(Rupees '000)	
Fixed rate instruments		
Financial assets	1,250,000	1,250,000
Financial liabilities	6,395,000	4,226,238
Variable rate instruments		
Financial assets	4,980,482	9,220,911
Financial liabilities	1,081,144	1,654,296

Fair value sensitivity analysis for fixed rate instruments

The Company is not exposed to interest rate risk on its fixed rate instruments.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/ (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit or loss	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
December 31, 2011		
Cash flow sensitivity-Variable rate instruments	**1,052**	**1,052**
	1,052	**1,052**
December 31, 2010		
Cash flow sensitivity-Variable rate instruments	11,711	11,711
	11,711	11,711

Market price risk

For investments at fair value through profit or loss, a 1 % increase / decrease in market price at reporting date would have increased / decreased profit for the year by Rs. 75,882 thousand (2010: Rs. Nil).

36.4 Fair values

Fair value versus carrying amounts

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

	Note	December 31, 2011 Carrying amount	December 31, 2011 Fair value	December 31, 2010 Carrying amount	December 31, 2010 Fair value
		(Rupees '000)			
Assets carried at amortised cost					
Trade debts	19	646,516	646,516	829,985	829,985
Deposits		78,204	78,204	77,604	77,604
Advances	20	30,144	30,144	23,959	23,959
Interest accrued		51,041	51,041	50,914	50,914
Other receivables - net of provision	22	2,180,232	2,180,232	99,009	99,009
Short term investments - loans and receivables	23	1,250,000	1,250,000	1,250,000	1,250,000
Cash and bank balances	24	5,384,363	5,384,363	12,720,051	12,720,051
		9,620,500	9,620,500	15,051,522	15,051,522
Assets carried at fair value					
Short term investments - Investments at fair value through profit or loss	23	7,588,237	7,588,237	-	-
Liabilities carried at amortised cost					
Loan, financing and murabaha	6, 7 & 8	3,889,203	3,889,203	4,765,214	4,765,214
Trade and other payables	10	9,661,394	9,661,394	6,202,787	6,202,787
Short term borrowings including mark-up	12	7,680,533	7,680,533	5,801,477	5,801,477
		21,231,130	21,231,130	16,769,478	16,769,478

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% (2010:14%). Since deferred Govt assistance is included with long term loan, there is no difference in the carrying amount of the loan and its fair value.

Fair value hierarchy

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

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

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

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

	Level 1	Level 2	Level 3
		(Rupees '000)	
December 31, 2011			
Assets carried at fair value			
Short term investments - investment in mutual funds	**7,588,237**	**-**	**-**
December 31, 2010			
Assets carried at fair value			
Short term investments - investment in mutual funds	-	-	-

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

36.5 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 quoted 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 at 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.

36.6 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.

37. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Fauji Fertilizer Company Limited (FFC) with 50.88 % holding (2010: 50.88%). FFC is sponsored by Fauji Foundation (FF) which holds 17.29 % shares (2010: 17.29 %) in the Company. Therefore all subsidiaries and associated undertakings of FF and FFC are related parties of the Company. The Company has related parties which comprise of entities under common directorship, directors, key management personnel and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. The remuneration of Chief Executive, directors and executives is disclosed in note 35 to the financial statements.

	2011	2010
	(Rupees '000)	
Transactions with the holding company		
Services and material acquired	**654,820**	681,648
Services and material provided	**1,104**	870
Collections	**59,617,887**	43,814,296
Commission charged to the Company	**21,911**	23,627
Dividend paid - net	**4,277,097**	2,266,861
Balance receivable at the year end - unsecured	**2,124,704**	-
Transactions with associated undertakings due to common directorship		
Goods sold	**2,840**	2,469
Rent charged to the Company	**1,111**	1,030
Dividend paid - net	**1,453,512**	770,361
Donation paid	**-**	90,388
Repayment of principal portion of long term finance	**19,338**	38,679
Financial charges	**328**	4,169
Investment	**235,285**	-
Loan balance payable at the year end - secured	**-**	19,338
Transactions with joint venture company		
Purchase of raw materials	**28,064,300**	19,342,767
Expenses incurred on behalf of joint venture company	**34,373**	27,808
Balance payable at the year end - secured (included in note 10)	**5,947,347**	3,347,622
Balance receivable at the year end - unsecured (included in note 22)	**25,262**	21,376
Other related parties		
Contribution to Provident Fund	**37,862**	30,752
Payment to Gratuity Fund	**46,282**	28,497
Payment to Workers' (Profit) Participation Fund	**921,005**	503,549
Balance payable at the year end - unsecured	**667,985**	412,980
Payable to Gratuity Fund	**26,747**	20,757
Remuneration of key management personnel	**16,400**	16,087

		2011	2010
		(Tonnes)	
38.	**GENERAL**		
38.1	**Production capacity**		
	Design capacity		
	Urea	**551,100**	551,100
	DAP	**650,000**	650,000
	Actual production		
	Urea	**433,053**	524,356
	DAP	**662,304**	659,556

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

38.2 The Board of Directors in their meeting held on January 26, 2012 have proposed a final dividend of Rs. 3.50 per ordinary share.

38.3 These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on January 26, 2012.

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

Pattern of Shareholding
as at December 31, 2011

Pattern of Shareholding		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	1,984,435
	IDBP (ICP UNIT)	500
	CDC - Trustee NIT-Equity Market Opportunity Fund	1,330,689
3.	**Directors, CEO and their spouse and minor children**	
	Lt Gen Muhammad Mustafa Khan, HI(M), (Retd)	-
	Lt Gen Muhammad Zaki, HI, HI(M), (Retd)	1
	Lt Gen Malik Arif Hayat, HI(M), (Retd)	110,001
	Mr Qaiser Javed	1
	Dr Nadeem Inayat	1
	Brig Liaqat Ali, TI(M), (Retd)	1
	Brig Jawaid Rashid Dar, SI(M), (Retd)	1
	Brig Parvez Sarwar Khan, SI(M), (Retd)	1
	Brig Dr Gulfam Alam, SI(M), (Retd)	1
	Mr Naved A. Khan	500
	Mr Nasier A. Sheikh	500
	Dr Rashid Bajwa	500
4.	**Company Executives**	307,663
5.	**Public Sector Companies and Corporations**	NIL
6.	Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	49,457,679
7.	**Shareholders holding ten percent or more voting interest**	
	Fauji Fertilizer Company Ltd	475,232,996
	Fauji Foundation	161,501,286

8. **Trade in shares of the Company by Directors, CEO, CFO, Company Secretary and their spouses and minor children**

Name	Date	Previous Holding	Purchase	Holding as at 31 Dec 2011
Lt Gen Malik Arif Hayat (Retd)	29 Aug 11	1	90,000	110,001
	05 Sep 11	90,001	20,000	

Pattern of Shareholding
as at December 31, 2011

Category wise Detail of Shareholding

Sr. No.	Categories of Shareholders	Number of Shareholders	Shares Held	Percentage
1	Individuals	15,589	145,151,953	15.54
2	Financial Institutions	19	21,004,215	2.25
3	Mutual Funds	52	15,103,746	1.62
4	Investment Companies	7	111,237	0.01
5	Insurance Companies	17	12,538,181	1.34
6	Joint Stock Companies	162	494,622,460	52.95
7	Modarabas	14	700,300	0.07
8	Foreigners	44	27,153,416	2.91
9	Co-operative Societies	2	17,804	0.00
10	Charitable Trusts	21	170,823,337	18.29
11	Others	68	46,883,351	5.02
	Total	**15,995**	**934,110,000**	**100.00**

Pattern of Shareholding
as at December 31, 2011

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM		TO	TOTAL SHARES HELD
1,099	1	-	100	62,431
4,082	101	-	500	1,788,749
2,867	501	-	1,000	2,341,478
4,198	1,001	-	5,000	11,804,159
1,419	5,001	-	10,000	11,226,493
564	10,001	-	15,000	7,193,061
354	15,001	-	20,000	6,439,565
237	20,001	-	25,000	5,529,230
152	25,001	-	30,000	4,312,369
111	30,001	-	35,000	3,676,540
107	35,001	-	40,000	4,126,747
62	40,001	-	45,000	2,653,124
118	45,001	-	50,000	5,807,585
43	50,001	-	55,000	2,268,219
55	55,001	-	60,000	3,235,377
40	60,001	-	65,000	2,538,435
24	65,001	-	70,000	1,638,566
25	70,001	-	75,000	1,840,633
20	75,001	-	80,000	1,576,427
19	80,001	-	85,000	1,575,726
15	85,001	-	90,000	1,326,031
18	90,001	-	95,000	1,675,870
51	95,001	-	100,000	5,068,484
7	100,001	-	105,000	723,120
11	105,001	-	110,000	1,197,319
6	110,001	-	115,000	684,580
14	115,001	-	120,000	1,670,331
15	120,001	-	125,000	1,855,825
9	125,001	-	130,000	1,157,653
6	130,001	-	135,000	795,574
5	135,001	-	140,000	685,985
6	140,001	-	145,000	860,039
13	145,001	-	150,000	1,943,148
6	150,001	-	155,000	921,541
5	155,001	-	160,000	786,374
1	160,001	-	165,000	162,000
6	165,001	-	170,000	1,005,388
5	170,001	-	175,000	871,191
4	175,001	-	180,000	720,000
3	180,001	-	185,000	554,200
3	190,001	-	195,000	578,152
24	195,001	-	200,000	4,787,950
1	200,001	-	205,000	203,673

Pattern of Shareholding
as at December 31, 2011

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM		TO	TOTAL SHARES HELD
2	205,001	-	210,000	416,360
4	210,001	-	215,000	851,802
3	215,001	-	220,000	654,500
3	220,001	-	225,000	667,500
1	225,001	-	230,000	230,000
2	230,001	-	235,000	467,500
1	235,001	-	240,000	240,000
1	240,001	-	245,000	245,000
6	245,001	-	250,000	1,500,000
3	250,001	-	255,000	759,262
7	255,001	-	260,000	1,804,462
1	260,001	-	265,000	265,000
4	270,001	-	275,000	1,100,000
1	275,001	-	280,000	278,000
4	290,001	-	295,000	1,178,686
10	295,001	-	300,000	2,997,360
3	300,001	-	305,000	902,210
1	305,001	-	310,000	309,000
3	310,001	-	315,000	936,122
4	320,001	-	325,000	1,298,000
1	325,001	-	330,000	330,000
1	330,001	-	335,000	331,000
4	335,001	-	340,000	1,348,999
1	340,001	-	345,000	343,640
4	345,001	-	350,000	1,394,079
1	350,001	-	355,000	352,000
2	355,001	-	360,000	720,000
2	375,001	-	380,000	760,000
1	380,001	-	385,000	385,000
1	385,001	-	390,000	386,150
8	395,001	-	400,000	3,193,120
1	405,001	-	410,000	410,000
2	410,001	-	415,000	825,200
3	415,001	-	420,000	1,252,464
2	425,001	-	430,000	855,680
1	430,001	-	435,000	430,500
2	485,001	-	490,000	979,500
2	495,001	-	500,000	1,000,000
1	510,001	-	515,000	515,000
1	520,001	-	525,000	523,500
2	545,001	-	550,000	1,100,000
2	590,001	-	595,000	1,182,201
2	595,001	-	600,000	1,200,000

Pattern of Shareholding
as at December 31, 2011

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM		TO	TOTAL SHARES HELD
1	610,001	-	615,000	613,500
1	635,001	-	640,000	640,000
1	640,001	-	645,000	645,000
1	670,001	-	675,000	675,000
1	710,001	-	715,000	711,000
1	720,001	-	725,000	720,615
1	740,001	-	745,000	740,998
1	795,001	-	800,000	800,000
1	810,001	-	815,000	812,000
2	840,001	-	845,000	1,685,000
1	875,001	-	880,000	875,144
1	900,001	-	905,000	900,707
1	940,001	-	945,000	945,000
2	1,095,001	-	1,100,000	2,195,587
1	1,120,001	-	1,125,000	1,122,642
1	1,130,001	-	1,135,000	1,135,000
1	1,155,001	-	1,160,000	1,156,500
1	1,180,001	-	1,185,000	1,184,000
1	1,210,001	-	1,215,000	1,210,635
1	1,270,001	-	1,275,000	1,271,275
1	1,280,001	-	1,285,000	1,282,500
1	1,330,001	-	1,335,000	1,330,689
1	1,355,001	-	1,360,000	1,360,000
1	1,395,001	-	1,400,000	1,400,000
1	1,500,001	-	1,505,000	1,500,500
1	1,580,001	-	1,585,000	1,583,233
1	1,595,001	-	1,600,000	1,600,000
1	1,660,001	-	1,665,000	1,662,904
1	1,695,001	-	1,700,000	1,700,000
1	1,765,001	-	1,770,000	1,769,474
1	1,935,001	-	1,940,000	1,936,906
1	1,970,001	-	1,975,000	1,970,600
1	1,980,001	-	1,985,000	1,983,435
1	2,155,001	-	2,160,000	2,156,553
1	2,295,001	-	2,300,000	2,298,173
1	2,595,001	-	2,600,000	2,596,728
1	2,645,001	-	2,650,000	2,650,000
1	2,835,001	-	2,840,000	2,839,200
1	2,995,001	-	3,000,000	3,000,000
1	3,195,001	-	3,200,000	3,200,000
1	3,230,001	-	3,235,000	3,234,877
1	3,760,001	-	3,765,000	3,764,527
1	4,030,001	-	4,035,000	4,031,103

Pattern of Shareholding
as at December 31, 2011

NUMBER OF SHAREHOLDERS	SHAREHOLDING FROM		TO	TOTAL SHARES HELD
1	5,500,001	-	5,505,000	5,503,728
1	7,240,001	-	7,245,000	7,242,078
1	7,280,001	-	7,285,000	7,283,487
1	9,175,001	-	9,180,000	9,179,190
1	10,545,001	-	10,550,000	10,545,029
1	14,880,001	-	14,885,000	14,884,277
1	23,055,001	-	23,060,000	23,058,785
1	161,500,001	-	161,505,000	161,501,286
1	475,230,001	-	475,235,000	475,232,996
15,995				**934,110,000**

Financial Calendar

Financial year of Company starts from 1st January and ends at 31st December.
Annual General Meeting will be held on 27 Mar 2012. Announcement of financial results will be as per the following tentative schedule:-

- First quarter ending 31 Mar 2012 — Last week of April 2012
- Half year ending 30 Jun 2012 — Last week of July 2012
- Third quarter ending 30 Sep 2012 — Last week of October 2012
- Year ending 31 Dec 2012 — Last week of January 2013

FORM OF PROXY
18th 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 18th Annual General Meeting of the Company to be held on 27 March 2012 and / or any adjournment thereof.

In witness thereof I / We have singed and set my / our hands seal thereon this -- day of -- 2012 in the presence of ------------- ----------------------------------.

Folio	CDC Account No.	
	Participant ID	Sub Account Number

Signature on
Five Rupees
Revenue Stamp

This signature should agree with the
specimen registered with the Company

IMPORTANT

1. This Proxy Form, duly completed and signed, must be deposited at the registered office of the Company, 73-Harley Street, Rawalpindi not less than 48 hours before the time of holding the meeting.

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

3. For CDC account holders/ Corporate Entities

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

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

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

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

Fold Here

Fold Here

Affix Correct Postage

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

Fold Here

Fold Here

Fold Here

Fold Here

Fold Here

Fold Here

Book Post

If undelivered please return to:

FFBL
Fauji Fertilizer Bin Qasim Limited

The Company Secretary
FAUJI FERTILIZER BIN QASIM LIMITED
73-Harley Street,
Rawalpindi, Pakistan
Tel: 051-9272196-97

73-Harley Street, Rawalpindi, Pakistan | +92 51 9272196-97, 9270923 | +92 51 9272198-99 | secretary@ffbl.com | www.ffbl.com