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COMPANY INFORMATION

DIRECTORS	Lt Gen Syed Muhammad Amjad, HI, HI(M), (Retired) *Chairman* Lt Gen Muhammad Akram, HI(M), (Retired) *Managing Director & Chief Executive* Lt Gen Mahmud Ahmed, HI(M), (Retired) Mr. Qaiser Javed Mr. Shabbir Hashmi Mr. Zaigham Mahmood Rizvi Brig Aftab Ahmed, SI(M), (Retired) Mr. Nadir Rahman Brig Munawar Ahmed Rana, SI(M), (Retired)
SECRETARY	Brig Tariq Mahmood, SJ, SI(M), (Retired)
REGISTERED OFFICE	93-Harley Street, Rawalpindi, Pakistan Tel : (051) 9272196-7 Fax : (051) 9272198-9 E-mail : secy@pakwatan.com Website: http://www.ffbl.com
PLANTSITE	Bin Qasim, Karachi, Pakistan
AUDITORS	Taseer Hadi Khalid & Co Chartered Accountants 6th Floor, State Life Building, Jinnah Avenue, Islamabad.
LEGAL ADVISORS	Orr Dignam & Co Advocates, 3-A, Street 32, Sector F-8/1, Islamabad, Pakistan
SHARE DEPARTMENT	Plot No. EZ/I/P-1 Eastern Zone, Bin Qasim, Karachi-48

OPERATING HIGHLIGHTS

		2000	2001	2002	2003	2004
KEY INDICATORS						
Operating						
Gross profit margin	%	(5.43)	0.14	26.24	22.52	28.44
Operating profit margin	%	(15.98)	(10.60)	11.00	10.10	19.48
Pre tax margin	%	(56.09)	(51.05)	3.84	7.05	18.74
Margin from ordinary activities	%	(56.58)	(51.55)	28.62	14.44	12.00
Margin after extraordinary item	%	-	-	53.91	23.25	15.97
Performance						
Return on total assets	%	(16.83)	(17.07)	6.04	3.85	6.26
Total assets turnover	Times	0.30	0.33	0.21	0.27	0.52
Fixed assets turnover	Times	0.34	0.37	0.25	0.34	0.79
Inventory turnover	Days	42	19	16	19	11
Return on paid up share capital	%	(103)	(96)	13.97	8.20	14.73
Leverage						
Debt equity ratio	Times	99 : 1	-	77 : 23	66 : 34	59:41
Current ratio	Times	0.22	0.14	0.84	1.53	1.53
Quick ratio	Times	0.12	0.09	0.56	1.19	1.36
Valuation						
Earnings per share	Rs	(9.64)	(10.28)	3.90	1.31	1.98
Earnings growth	%	-	(6.64)	137.94	(66.41)	51.15
Break up value	Rs	(0.40)	(9.23)	4.70	6.60	7.65
Dividend per share	Rs	-	-	-	-	1.00
Dividend payout ratio	%	-	-	-	-	51.01
Price earning ratio	Times	(0.74)	(0.32)	2.45	13.44	15.45
Market price per share	Rs	7.15	3.25	9.55	17.60	30.60
Market capitalisation	Rs(M)	2,389	1,086	7,735	16,014	28,584
HISTORICAL TRENDS				**Rs. million**		
Trading Results						
Sales - net		6,069	6,246	3,953	5,167	11,462
Gross profit / (loss)		(330)	8	1,037	1,164	3,261
Profit / (loss) from operations		(970)	(662)	435	522	2,233
Profit / (loss) before tax		(3,404)	(3,189)	152	365	2,148
Profit / (loss) after tax		(3,434)	(3,220)	1,131	746	1,376
Profit / (loss) after extraordinary item		-	-	2,131	1,201	1,831
Financial position						
Shareholders' equity		135	(3,085)	3,807	6,008	7,147
Property , plant and equipment		17,739	16,702	15,873	15,203	14,539
Working capital		(8,739)	(12,452)	(354)	1,027	2,382
Non current liabilities		9,004	7,440	12,788	11,408	10,296

Note: Commercial production was commenced on January 01, 2000

NOTICE OF MEETING

Notice is hereby given that the 11th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held at Pearl Continental Hotel, Rawalpindi on Tuesday, February 22, 2005 at 1100 hours to transact the following business:-

- To confirm minutes of Extraordinary General Meeting held on November 29, 2004.
- To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and the Auditors' Reports for the year ended December 31, 2004.
- To appoint Auditors of the Company for the year 2005 and fix their remuneration.
- To seek the consent of shareholders for transmission of quarterly accounts through website in compliance with Section 245 of the Companies Ordinance 1984 and Securities & Exchange Commission of Pakistan (SECP) circular No. 19 of 2004.
- Any other business with the permission of the Chairman.

By Order of the Board,
Fauji Fertilizer Bin Qasim Limited

Rawalpindi
January 31, 2005

Brig Tariq Mahmood (Retired)
Company Secretary

NOTES:

1. Share transfer books of the Company will remain closed from February 16 to 22, 2005 (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, 93-Harley Street, Rawalpindi not later than 48 hours before the time of holding meeting.

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

DIRECTORS' REPORT

For the Year Ended December 31, 2004

The Board of Directors is pleased to present their Eleventh Annual Report along with audited Financial Statements of the Company and Auditors' Report thereon for the year ended December 31, 2004.

It has been an eventful and rewarding year for the Company and the shareholders. The Company has achieved higher milestones in business volumes and commercial revenues. All indicators show that we are well on track to further increase the shareholders' value. Significant highlights for the year are given below:

- First ever off shore investment by Fauji Foundation, Fauji Fertilizer Company Limited and Fauji Fertilizer Bin Qasim Limited (FFBL) in Pakistan Maroc Phosphore S.A., a joint venture company in Morocco. FFBL has 25% equity share in this company
- Commencement of revamping of Ammonia plant for increasing its production to 1570 metric ton per day from 1270 metric ton per day
- Record monthly production of Ammonia at 40,042 metric tons (102% of capacity) and of Granular Urea at 59,696 metric tons (115% of capacity) in December, 2004
- Record per day production of Granular Urea at 1,982 metric tons (119% of capacity) was achieved on December 30, 2004

Fertilizer Industry

Urea Production and Sales

Industry Urea production of 4,408 kt during the year 2004, was lower by 3%, as compared to the production of last year. The first quarter of 2004 witnessed a very healthy growth of 19% in the urea offtake due to better water availability and attractive commodity prices. Effective July 01, 2004 GOP increased gas price for fertilizer industry as well as enhanced the deemed price of urea for GST calculation. The combined impact of these increases was Rs 20 per bag. The fertilizer companies were unable to pass on the entire impact to the consumers and increased urea price by Rs 12 per bag. This increase restricted July urea sales to a nominal growth of one percent. In August, however, urea price was reduced by Rs 18 per bag owing to the combined impact of a reduction of Rs 9 per bag in GST and a matching reduction of Rs 9 per bag by fertilizer companies which resulted in 14% increase in August urea sales. The end August urea inventory was a meager 72 kt as against end August 2003 inventory of 373 kt. Serious urea shortage was foreseen during Rabi 2004-05 due to healthy growth of 8% in urea offtake and a decline in domestic production by 100 kt by end August 2004. GOP was apprised of the situation and an estimated quantity of 275 kt urea imports was agreed upon for Rabi. GOP however was able to import only 179 kt urea against the required 275 kt. This created a shortage in the urea market. Urea sales in December were limited to the availability and market prices shot up by Rs 30 to Rs 40 per bag. GOP further assured that all urea plants will be supplied feed gas as per their requirement and there will be no gas load shedding in the winter months.

The industry Urea offtake of 4,715 kt during the year 2004 was higher by 5.13%, as compared to offtake of 4,485 kt the last year. The industry Urea inventory as on December 31, 2004 was 31 kt, 83% lower than 2003 year end inventory of 179 kt.

DAP Production, Imports and Sales

Sona DAP production of 381 kt during the year 2004, was higher by 308 kt, as compared to the production of last year of 73 kt. During the year 2004, 836 kt of DAP fertilizer was imported by fertilizer companies and dealers. The industry inventory of DAP as on December 31, 2004 was 53 kt, 10% higher than the 2003 year end inventory of 48 kt. The industry DAP offtake of 1,211 kt during 2004 was higher by 9%, as compared to offtake of 1,116 kt during the last year.

Financial Results

Results of the Company are summarized below:

	2004		2003	
	Rs in million	% of sales	Rs in million	% of sales
Sales	11,462	100.00	5,167	100.00
Gross Profit	3,261	28.44	1,164	22.52
Profit From Operations	2,233	19.48	522	10.10
Profit Before Tax	2,148	18.74	365	7.06
Taxation	(772)	(6.74)	381	7.38
Profit After Tax	1,376	12.00	746	14.44

Notwithstanding the accumulated losses of Rs 2,423 million as on December 31, 2004, the Company was financially sound for a second consecutive year and achieved excellent results during current year. Substantial increase in sales revenue is mainly due to full year's DAP operations and better fertilizer prices. Highest ever sale of Granular Urea of 580 kt was achieved, which is 3% higher than its targets for 2004. During the year, urea and DAP market share of the Company was 13% and 31% respectively. Average prices of urea and DAP realized by the Company during the year 2004 were up by 6% and by 24% respectively over the last year.

Gross profit of Rs 3,261 million for the year is 28% of the sales, higher by 6% compared with last year. Other operating income, amounting to Rs 108 million, higher by 148% as compared with last year, mainly represents interest income generated on the Company's improved cash flows due to increased sales and proactive treasury management. Increase in other operating expenses of Rs 114 million is due to increase in provision for Workers' Profit Participation fund of Rs 113 million due to increased profit of the Company for the year. Profit after taxation of Rs 1,376 million for the year is 84% higher as compared with last year. Earnings per share of the Company have increased by 53%, from Rupee 1.31 to Rupee 1.98.

Dividend

A maiden dividend of Rupee 1 per ordinary share was declared on October 25, 2004.

The Company has issued 24,208,603 shares of Rs 10 each as right issue to the shareholders.

The Company has managed to reduce its contingent liability by Rs 3.3 billion on account of indemnity bonds and undertakings given to custom authorities during the construction phase for import of plant and machinery. However, for certain machinery items against which cases are pending in the courts, related indemnity bonds and undertakings aggregating value of Rs 120 million are yet to be released by CBR.

Cash at bank of Rs 5,079 million includes Rs 737 million, which are pledged/under lien with commercial banks against letters of credit for import of raw material, stores, spares and bank guarantees issued on behalf of the Company.

Company's Cash Flows

Cash flows prior to working capital changes increased 115% over last year, from Rs 1,444 million to Rs 3,104 million mainly due to full year's DAP operations and better sale prices.

Mission Statement

Our mission is to be amongst the best at delivering competitively priced, quality fertilizers and gaining sustainable and viable growth rate by achieving excellence in all activities, generating optimum profits to the total satisfaction of all stakeholders.

Vision Statement

Our vision and overall corporate strategy is:

- To be a leading fertilizer company with a diverse product base
- To consistently excel in our operations
- To remain exemplary through our commitment to Business Ethics, Safety, Health, Environment and involvement in the Community
- To be one of the best corporate employers
- To remain good corporate citizen

Corporate Governance

The Company complies with all of the requirements of the Code of Corporate Governance as contained in the listing regulations of the Stock Exchanges. The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Company including approving the strategic direction put forward by management, approving and monitoring capital expenditure, appointing, removing and creating succession policies for directors and senior management, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting. The Board has delegated responsibility for operation and administration of the company to the Chief Executive/Managing Director. Responsibilities are delineated by formal authority delegations. The Board has constituted the following committees:

- Audit
- Technical, and
- Human Resources

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

Presentation of Financial Statements

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

Books of Accounts

Proper books of accounts have been maintained.

Accounting Policies

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

Compliance with International Accounting Standards

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

Internal Control System

System of internal control is sound in design, has been effectively implemented and is being monitored continuously. On going review will continue in future for further improvement in controls.

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

Best Practices of Corporate Governance
There has been no material departure from the best practices of corporate governance.

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

Key Financial Data
Key operating and financial data of last five years is attached in this annual report.

Environment, Health and Safety
The overall health, safety and environment performance of the plant was excellent through out the year. However, an unfortunate injury occurred to a technician working in the DAP plant in May 2004. This resulted into a loss time injury and terminated the safe man-hours operational record of over 5 million.

Shareholders' Information
Company's Publications
In order to update shareholders about the operations and growth of their Company, the management of the Company publishes and mails the following reports:

- The Company's Annual Financial Statements along with Directors Report and external auditors' report thereon.
- Second quarter and half Yearly Financial Statement along with Directors Review and external auditors' review report thereon.
- First and Third Quarters Financial Statements along with Directors Review.

Outstanding Statutory Dues
Amounts of withholding taxes payable and sales tax payable as appearing in the audited financial statements for year ended December 31, 2004 represents the time lag allowed by statutory provisions in collecting and depositing such taxes in government treasury. The same were subsequently deposited with in stipulated time period.

Contribution to National Exchequer
During the year, the Company has contributed an amount of Rs 1,019 million towards the national exchequer on account of government levies, taxes and import duties, etc.

Employee Retirement Benefits
Value of investments of provident and gratuity funds as on December 31, 2004 (un-audited) is:

	2004 (Rs in million)	2003 (Rs in million)
Provident Fund	104	82
Gratuity Fund	37	27

Board of Directors

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

Name of Director	No of meetings attended	
Lt Gen Syed Muhammad Amjad, HI, HI(M), (Retd)	8	
Maj Gen Qamar ul Zaman HI(M), (Retd)	8	
Lt Gen Mahmud Ahmad, HI(M), (Retd)	7	
Brig Ghulam Hussain, SI(M), (Retd)	7	(Until November 2, 2004)
Mr. Qaiser Javed	8	
Mr. Shabbir Hashmi	6	
Mr. Zaigham Mahmood Rizvi	3	
Dr. Salim Batla	4	(Until July 23, 2004)
Maj Gen Julian Peter, HI(M), (Retd)	4	(Until July 23, 2004)
Brig Aftab Ahmed (Retd)	3	(July 23, 2004 onward)
Mr Nadir Rahman	3	(July 23, 2004 onward)
Brig Munawar Ahmad Rana (Retd)	1	(November 2, 2004 onward)

Extra Ordinary General Meeting

An extraordinary general meeting was held on November 29, 2004 to obtain approval of the shareholders to make the investment in Pakistan Maroc Phosphore, S.A., and matters related thereto.

Vacation of Directors

On resignation of Maj Gen Julian Peter (Retd) and Dr Salim Batla from the office of directorship of the Company, Brig Aftab Ahmad (Retd) and Mr Nadir Rahman have been appointed as Directors of the Company effective July 23, 2004. Further, on resignation of Brig Ghulam Hussain (Retd) from the office of directorship of the Company Brig Munawar Ahmad Rana (Retd) has been appointed as Director of the Company effective November 2, 2004.

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

Change of Chief Executive / Managing Director

Effective January 1, 2005, Lt Gen Muhammad Akram (Retd) replaced Maj Gen Qamar Ul Zaman (Retd) as Chief Executive / Managing Director of the Company. The Board welcomes the new Chief Executive / Managing Director and records its appreciation for the valuable services rendered by Maj Gen Qamar Ul Zaman (Retd).

Board Committees

Audit Committee

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

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

Name of members	No of meetings attended	
Brig Ghulam Hussain (Retd)	3	(Until November 2, 2004)
Mr Qaiser Javed	4	
Mr Shabbir Hashmi	3	
Mr Nadir Rahman	2	(July 23, 2004 onward)
Brig Aftab Ahmed (Retd)	1	(July 23, 2004 onward)
Dr Salim Batla	3	(Until July 23, 2004)

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

Technical Committee

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

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

Names of members	No of meetings attended	
Mr Zaigham Mahmood Rizvi	2	
Brig Ghulam Hussain (Retd)	2	
Mr Shabbir Hashmi	2	
Dr Salim Batla	-	(Until July 23, 2004)
Mr Nadir Rahman	2	(July 23, 2004 onward)

Financial Reporting

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

Assessment of Effectiveness of Risk Management

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

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest. Details of director related entity transactions with the Company are set out in Note 39 to the Financial Statements for the year ended December 31, 2004.

Code of Conduct

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

Trading in Company Shares

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

- CE, Directors and Executives or their spouses of the Company may acquire shares in a company, but are prohibited from dealing in Company shares.
- If CE, any Director, Executives or their spouses sell, buy or take any position, whether directly of indirectly, in the shares of the Company, he/they will notify in writing within four days of affecting the transaction to the Company Secretary of their/his intention along with record of price, number of shares, form of shares certificates and nature of transaction.
- No Director, CE or Executive shall, directly or indirectly, deal in the shares of the Company in any manner during the closed period as determined by the Company prior to the announcement of interim/final results and any business decision, which may affect the market price of the Company's share.

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

Relations with Personnel and Community

Relationship between the Company, its employees and the community continues to be extremely cordial based on mutual respect and confidence, contributing to the optimum efficiency of the Company.

Auditors

Present auditors, Messrs Taseer Hadi Khalid & Company, Chartered Accountants, retire and offer themselves for re-appointment. The Audit Committee has recommended re-appointment of retiring auditors for the year 2005 on the same terms and conditions as last year.

Future Outlook

In response to growing demand of urea and DAP fertilizer in Pakistan, Government of Pakistan is encouraging the fertilizer manufacturers to make investment in the fertilizer sector. Currently total demand of DAP fertilizer is approximately 1.2 million metric tons. FFBL is the only manufacturer of DAP fertilizer in Pakistan with annual production capacity of 0.445 millions metric tons. Shortfall of around 0.8 millions metric tons is met through imports.

Off Shore Investment

In order to ensure continued and uninterrupted supply of raw material for DAP production, the Company along with Fauji Foundation and Fauji Fertilizer Company Limited (The Fauji Group) entered into a project with Office Cherifien des Phoshates (OCP) Group for the production of phosphoric acid, the basic raw material for producing DAP. In this respect, Fauji Group has signed a Shareholders Agreement with the OCP Group in September 2004.

OCP Group is fully owned by the Government of the Kingdom of Morocco having its operations in five continents. The Moroccan subsoil contains the world largest deposits of sedimentary phosphate. With a consolidated yearly turnover of about US $ 1.5 billion, OCP is also the leading group in terms of employment and technology within the Moroccan industry. His Majesty the King of Morocco appoints the Director General of the OCP Group. The present Director General remained on some key positions in the Government of the Kingdom, in the past, including the Finance Minister and Foreign Commerce Minister.

Basic data about the project is given below:

Cost of the project	Moroccan Dirhams (MAD) 2,030 million
Debt:Equity	60:40
Current Foreign Exchange Parity	1 US $ = 8.4 MAD
Phosphoric Acid Production Capacity per annum	375,000 metric tons
Expected period for start of commercial production	Second quarter of 2007
Fauji Group and OCP Group equity	50:50
FFBL's share in equity of the project	25%

The 1st subscription of 25% towards total contribution by the Fauji Group has been made in 2004. The sponsors in coming year shall make the remaining contribution towards equity. A shift toward this project will have a positive impact on FFBL's financial results. The company cannot sell the shares of Pakistan Maroc Phosphore S.A., outside Fauji Group for a period of five years effective September 14, 2004. Further, if any legal restriction is laid on dividends by Pakistan Maroc Phosphore S.A., the same will be converted to interest bearing loan.

This is the first foreign investment by Fauji Group. Apart from its imminent contribution towards economic growth of Pakistan, this project will further bring prestige to the Country, and will help to strengthen ties between the two brotherly Muslim nations and will prove a gateway for others to invest in such international projects.

Balancing, Modernization and Revamping

The Company has commenced the revamping of ammonia plant, which will be completed by December 2006 at an approximate cost of Euros 41 million. This revamping will increase ammonia production to 1570 metric ton per day from 1270 metric ton per day.

Share Holding Pattern

The pattern of shareholding is attached with this report.

Acknowledgements

We would like to express our appreciation for the dedication and hard work put in by the entire work force of the Company who helped to make this a successful year. We would also like to acknowledge the contribution of GOP, OCP Group, Sui Southern Gas Company Limited and bankers, resulting in appreciable turnaround of the Company.

For and on behalf of the Board

Lt Gen Syed Muhammad Amjad, HI, HI(M), (Retired)
Chairman

Rawalpindi
January 25, 2005

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company: Fauji Fertilizer Bin Qasim Limited

Year ended: December 31, 2004

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

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

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

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

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

4. Casual vacancies occurred in the Board during the year 2004 were filled within the stipulated period i.e. 30 days.

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

6. The Board has developed a vision/mission statement, overall corporate strategy and is in the process of finalising certain significant policies, which will be approved by the Board in due course of time. A complete record of particulars of approved policies alongwith the dates on which they were approved or amended has been maintained.

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

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

9. Directors of the Company have participated in Orientation course at group level to apprise them of their duties and responsibilities. Directors, who have not participated in these, have been apprised and adeuately briefed.

10. Officers having positions of CFO and Head of Internal Audit were appointed prior to the implementation of the Code of Corporate Governance. Terms of appointment, including remuneration in case of future appointments on these positions will be approved by the Board. Present Company Secretary was appointed on February 16, 2004 and case for relaxation in pre-requisite qualification has already been taken up with SECP and approval is awaited.

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

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

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

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

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

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

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

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

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

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

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

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING FOR THE YEAR ENDED DECEMBER 31, 2004

The Company has fully complied with the best practices on Transfer Pricing as contained in the related Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges.

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

REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective as at December 31, 2004.

TASEER HADI KHALID & CO
CHARTERED ACCOUNTANTS

ISLAMABAD
January 25, 2005

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Fauji Fertilizer Bin Qasim Limited ("the company") as at December 31, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion –

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

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

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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, 2004 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 the Central Zakat Fund established under section 7 of that Ordinance.

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

ISLAMABAD
January 25, 2005

BALANCE SHEET
AS AT DECEMBER 31, 2004

	Note	2004	2003
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	9,341,100	9,099,014
Capital reserve	5	228,350	228,350
Accumulated loss		(2,422,808)	(3,319,790)
		7,146,642	6,007,574
NON-CURRENT LIABILITIES			
Long term financing	6	2,293,192	2,710,138
Liabilities against assets subject to finance lease	7	11,290	19,875
Long term murabaha	8	212,730	251,408
Long term loan	9	7,778,409	8,426,610
CURRENT LIABILITIES			
Trade and other payables	10	2,163,366	929,295
Mark - up accrued	11	27,536	2,494
Short term borrowings	12	1,176,625	137,133
Current portion of:			
- Long term financing	6	416,944	208,472
- Liabilities against assets subject to finance lease	7	6,467	7,506
- Long term murabaha	8	38,679	19,340
- Long term loan	9	648,201	648,201
Sales tax payable		46,880	-
		4,524,698	1,952,441
CONTINGENCIES AND COMMITMENTS	14		
		21,966,961	19,368,046

The annexed notes 1 to 43 form an integral part of these financial statements.

CHAIRMAN

	Note	2004	2003
		(Rupees '000)	
FIXED ASSETS			
Property, plant and equipment	15	14,539,349	15,178,856
Intangible asset	16	-	23,686
		14,539,349	15,202,542
LONG TERM INVESTMENTS	17	358,600	-
LONG TERM DEPOSITS AND DEFERRED COSTS	18	18,518	25,210
DEFERRED TAX	19	143,527	1,160,688
CURRENT ASSETS			
Stores, spares and loose tools	20	520,399	455,915
Stock in trade	21	252,252	209,511
Trade debts	22	431,246	392,377
Advances	23	207,391	11,886
Trade deposits and short term prepayments	24	2,340	2,590
Interest accrued		23,733	6,304
Other receivables	25	322,273	241,820
Income tax refundable - net		68,720	25,587
Sales tax refundable		-	14,884
Bank balances	26	5,078,613	1,618,732
		6,906,967	2,979,606
		21,966,961	19,368,046

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004	2003
		(Rupees '000)	
			Restated
Sales - net	27	11,462,410	5,166,515
Cost of sales	28	(8,201,623)	(4,002,866)
Gross profit		3,260,787	1,163,649
Other operating income	29	107,688	43,401
Distribution costs	30	(931,066)	(580,286)
Administrative expenses	31	(90,653)	(84,730)
Other operating expenses	32	(113,686)	(19,970)
Profit from operations	33	2,233,070	522,064
Finance cost	34	(84,817)	(156,705)
Profit from ordinary activities before taxation		2,148,253	365,359
Taxation	35	(772,161)	380,504
Profit from ordinary activities after taxation		1,376,092	745,863
Extraordinary item			
- Compensation received from Government of Pakistan			
(GOP) - net of tax	36	455,000	455,000
Profit after extraordinary item		1,831,092	1,200,863
Basic and diluted earnings per share (Rupees)	37	1.98	1.31
Dividend per share (Rupee)		1.00	-

The annexed notes 1 to 43 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	2004	2003
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	3,555,188	2,009,469
Income tax paid		(43,133)	(22,117)
Finance cost paid		(59,775)	(182,392)
Payment to gratuity fund		(6,672)	(27,036)
Cash flows before extraordinary item		3,445,608	1,777,924
Extraordinary item - Compensation received from GOP (net)		51,799	51,799
Net cash from operating activities		3,497,407	1,829,723
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(292,593)	(208,299)
Sale proceeds of property, plant and equipment		3,577	4,844
Long term investment		(358,600)	-
Long term deposits		1,452	(998)
Profit received on bank balances		74,955	28,842
Net cash used in investing activities		(571,209)	(175,611)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		242,086	1,000,000
Long term financing - repayments		(208,474)	(604,760)
Principal portion of lease rentals paid		(9,624)	(8,514)
Long term murabaha - repayments		(19,339)	-
Long term loans - repayments		-	(133,584)
Dividend paid		(510,458)	-
Net cash (used in) / from financing activities		(505,809)	253,142
Net increase in cash and cash equivalents		2,420,389	1,907,254
Cash and cash equivalents at beginning of the year		1,481,599	(425,655)
Cash and cash equivalents at end of the year		3,901,988	1,481,599
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
- Bank balances		5,078,613	1,618,732
- Short term borrowings		(1,176,625)	(137,133)
		3,901,988	1,481,599

The annexed notes 1 to 43 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004

	Share capital	Capital reserve	Accumulated loss	Total
		(Rupees '000)		
Balance at December 31, 2002	8,099,014	228,350	(4,520,653)	3,806,711
Profit from ordinary activities after taxation for the year	-	-	745,863	745,863
Extraordinary item - Compensation received from GOP (net of tax)	-	-	455,000	455,000
Issue of share capital	1,000,000	-	-	1,000,000
Balance at December 31, 2003	9,099,014	228,350	(3,319,790)	6,007,574
Profit from ordinary activities after taxation for the year	-	-	1,376,092	1,376,092
Extraordinary item - Compensation received from GOP (net of tax)	-	-	455,000	455,000
Interim dividend (Re. 1 per ordinary share)	-	-	(934,110)	(934,110)
Issue of share capital - right issue	242,086	-	-	242,086
Balance at December 31, 2004	9,341,100	228,350	(2,422,808)	7,146,642

The annexed notes 1 to 43 form an integral part of these financial statements.

CHAIRMAN　　　　CHIEF EXECUTIVE　　　　DIRECTOR

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2004

1. STATUS AND NATURE OF BUSINESS

Fauji Fertilizer Bin Qasim Limited ("the Company") is a public company incorporated in Pakistan under the Companies Ordinance,1984, and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges in Pakistan. The registered office of the Company is situated in Rawalpindi, Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers including investment in fertilizer raw material manufacturing operations. The Company commenced its commercial production effective January 1, 2000. The Company is a subsidiary of Fauji Fertilizer Company Limited (the holding company) with shareholding of 50.88 % (2003: 52.23 %).

2. STATEMENT OF COMPLIANCE

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

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

3.2 Employees' retirement benefits

The Company has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

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

Gratuity Fund - Defined Benefit Scheme

The Company operates a defined benefit funded gratuity for all eligible 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. Transitional liability is being recognised on a straight line basis over a period of five years.

Compensated absences

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

3.3 Taxation

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

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

3.4 Property, plant and equipment and capital work in progress

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

Depreciation is calculated on the straight line method to write off the cost of each asset over its estimated useful life without taking into account any residual value. The depreciation rates in use are given in note 15 to the financial statement. Full year's depreciation is charged on additions, while no depreciation is charged on items deleted during the year.

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

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

Assets subject to finance lease

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

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

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the balance outstanding. Finance charge on leased assets is charged to profit and loss account over the lease term. Depreciation on assets subject to finance lease is recognised in the same manner as for owned assets.

3.5 Intangible asset

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

3.6 Borrowing costs

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

3.7 Investments

Investment in associate

Investments are initially recognised at cost. At subsequent reporting dates, the Company reviews the carrying amount of investments to assess whether there is any indication that such investments have impaired. In case such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense.

Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of the initial cost of the investment. A reversal of the impairment loss is recognised in profit and loss account.

Investment available for sale

Available for Sale investments are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition, for investments traded in active market, fair value is determined by reference to quoted market price and the investments for which a quoted market price is not available, are measured at cost, subject to a review for impairment at each balance sheet date. Any gain or loss from a change in the fair value of investments available for sale is included in the profit and loss account for the period.

3.8 Impairment

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

3.9 Stores, spares and loose tools

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

3.10 Stock in trade

These are valued at the lower of weighted average cost and net realisable value except for stock in transit which is valued at cost comprising invoice value and related expenses incurred thereon upto the balance sheet date.

Cost is determined as follows:

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

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

3.11 Trade debts and other receivables

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

3.12 Cash and cash equivalents

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

3.13 Trade and other payables

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

3.14 Mark-up bearing borrowings

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

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

3.15 Provisions

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

3.16 Dividends

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

3.17 Foreign currencies

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

3.18 Revenue recognition

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

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

Scrap sales and miscellaneous receipts
Scrap sales and miscellaneous receipts are recognised on realised amounts.

3.19 Basis of allocation of common expenses

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

3.20 Government compensation

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

3.21 Financial instruments

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

3.22 Off-setting of financial assets and liabilities

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

3.23 Related party transactions

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

4. SHARE CAPITAL

4.1 ISSUED, SUBSCRIBED AND PAID - UP CAPITAL

	Ordinary shares		(Rupees '000)	
	2004	2003	**2004**	2003
Ordinary shares of Rs 10 each outstanding at January 1,	909,901,400	809,901,400	9,099,014	8,099,014
Ordinary shares of Rs 10 each issued during the year	24,208,603	100,000,000	242,086	1,000,000
Ordinary shares of Rs 10 each outstanding at December 31,	934,110,003	909,901,400	9,341,100	9,099,014

4.2 Under the arrangement with the Securities and Exchange Commission of Pakistan, the Company has issued 24,208,603 ordinary shares during the year by way of right offer to shareholders except for the holding company.

4.3 Issued, subscribed and paid-up capital as at December 31, 2004 includes 73,291,400 ordinary shares of Rs 10 each issued in 2002 against conversion of loan and interest charges to CDC Holdings Sendirian Berhad, Malaysia (CDCH) an associated company.

4.4 The holding company, Fauji Foundation, CDCH and Pakistan Kuwait Investment Company (PKIC) held 475,232,996, 161,501,286, 92,692,890 and 4,999,845 (2003 : 475,232,996, 161,129,998, 90,291,397 and 20,119,000) ordinary shares respectively of the Company at the year end.

4.5 AUTHORIZED SHARE CAPITAL

	2004	2003
	(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

	2004	2003
	(Rupees '000)	
From banking companies and financial institutions		
Habib Bank Limited (HBL)	843,672	908,571
Standard Chartered Bank (SCB)	482,429	519,539
Muslim Commercial Bank Limited (MCB)	831,678	895,653
Askari Commercial Bank Limited (ACBL)	185,714	200,000
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited (SAPICO)	69,500	74,847
	2,412,993	2,598,610
From associated undertaking		
Pak Kuwait Investment Company (Pvt) Limited (PKIC)	297,143	320,000
	2,710,136	2,918,610
Less: Current portion shown under current liabilities	416,944	208,472
	2,293,192	2,710,138

Lender	Purchase price (Rupees '000)	Marked-up price (Rupees '000)	Mark-up rate	No. of quarterly instalments outstanding	Repayment commenced from
HBL	908,571	1,690,772	12 months Treasury bill rate	26	July 2004
SCB	519,539	966,819	12 months Treasury bill rate	26	July 2004
MCB	895,653	1,666,735	12 months Treasury bill rate	26	July 2004
ACBL	200,000	372,183	12 months Treasury bill rate	26	July 2004
SAPICO	74,847	139,283	12 months Treasury bill rate	26	July 2004
PKIC	320,000	595,493	12 months Treasury bill rate	26	July 2004

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

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2004		2003	
	Not later than one year	Later than one year and not later than five years	Not later than one year	Later than one year and not later than five years
	(Rupees '000)		(Rupees '000)	
Gross minimum lease payments payable in future	7,520	12,098	9,488	21,948
Less: Finance charge allocated to future periods	1,053	808	1,982	2,073
	6,467	11,290	7,506	19,875

Lease rentals include finance charge ranging between 8% to 20% per annum, which have been used as discounting factor and are payable on monthly and quarterly basis. The Company has an option to purchase the assets upon completion of lease period by adjusting the security deposits amounting to Rs 4,050 thousand (2003: Rs 5,619 thousand) and has intention to exercise the option.

8. LONG TERM MURABAHA - SECURED

	2004	2003
	(Rupees '000)	
Faysal Bank Limited (FBL)	251,409	270,748
Less: Current portion shown under current liabilities	38,679	19,340
	212,730	251,408

Lender	Facility	Purchase price	Mark-up rate	No. of quarterly instalments outstanding	Repayment commenced from
	(Rupees '000)				
FBL	270,748	503,840	12 months Treasury bill rate	26	July 2004

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

9. LONG TERM LOAN - UNSECURED

	2004	2003
	(Rupees '000)	
Government of Pakistan (GOP) loan - note 9.1	5,417,435	5,668,820
Deferred Government Assistance - note 9.1	3,009,175	3,405,991
	8,426,610	9,074,811
Less: Current portion shown under current liabilities	648,201	648,201
	7,778,409	8,426,610

9.1 GOP loan of Rs 9,723,011 thousand is repayable in 16 years with 1 year grace at zero percent effective November 30, 2001. Final instalment will be paid in June 2017. This loan in accordance with International Accounting Standard-39 "Financial Instruments: Recognition and Measurement" is stated at its fair value and the difference is recognised as Deferred Government assistance. Deferred Government assistance is being amortised to fully offset the financial charge on the loan at an imputed market rate of 7%. The amount amortised and offset against financial charges during the year amounted to Rs 396.816 thousand.

Under the terms of restructuring with GOP, the excess cash, which may arise based on a pre-defined mechanism, shall be shared by the Company with GOP through prepayment of GOP loan.

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

Since two ECA have yet to release HBL from their responsibility as guarantor therefore, the above referred guarantee and related charge on assets of the Company have not been vacated upto December 31, 2004. The Company is making efforts in getting this guarantee released.

10. TRADE AND OTHER PAYABLES

	2004	2003
	(Rupees '000)	
Creditors	668,262	583,500
Accrued liabilities	250,015	174,847
Advances from customers	736,031	138,530
Workers' Profit Participation Fund - note 10.1	13,067	19,229
Unclaimed dividend	423,652	-
Tax deducted at source	56,264	198
Other payables - note 10.2	16,075	12,991
	2,163,366	929,295
10.1 Workers' Profit Participation Fund (WPPF)		
Balance at beginning of the year	19,229	7,991
Interest on funds utilised in the Company's business	95	101
Allocation for the year	113,066	19,229
	132,390	27,321
Payment to WPPF during the year	119,323	8,092
	13,067	19,229

10.2 This includes Rs 17.729 thousand (2003: Rs 17.729 thousand) payable to Fauji Foundation, an associated undertaking.

11. MARK - UP ACCRUED

	2004	2003
	(Rupees '000)	
On long term financing		
From banking companies and financial institutions	19,121	-
From PKIC, an associated undertaking	2,355	-
	21,476	-
On long term murabaha	1,992	-
On short term borrowings	4,068	2,494
	27,536	2,494

12. SHORT TERM BORROWINGS - SECURED

The Company has arranged short term facilities from various banks on mark-up basis aggregating Rs. 2,300,000 thousand (2003: Rs. 2,300,000 thousand). These facilities carry mark-up ranging from 3.75% to 5.69% per annum (2003: 3.05% to 3.35% per annum) at the year end and are secured by hypothecation of stocks and current assets of the Company. The purchase prices are repayable on various dates by the Company.

13. GRATUITY FUND

	2004 (Rupees '000)	2003 (Rupees '000)
Reconciliation of amounts recognised in the balance sheet is as follow:		
Present value of defined benefit obligation	36,576	32,000
Fair value of plan assets	(31,806)	(26,567)
Net actuarial losses not recognized	(1,149)	(605)
Unrecognised transitional liability	(3,621)	(4,828)
	-	-
Movement in liability recognised in the balance sheet:		
Opening liability	-	19,000
Expense for the year	6,672	8,036
Payments to the fund during the year	(6,672)	(27,036)
Closing liability	-	-
Amount recognised in the profit and loss account included in cost of sales and administrative expenses:		
Current service cost	5,600	5,535
Interest cost	2,240	2,003
Expected return on plan assets	(2,375)	(709)
Recognised transitional liability	1,207	1,207
	6,672	8,036

Actual return on plan assets during the year was 3.93 % p.a (2003: 3.04 % p.a).

Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2004 are as follows:

Discount rate	9.00%
Expected rate of salary growth	9.00%
Expected rate of return on plan assets	9.00%

14. CONTINGENCIES AND COMMITMENTS

		2004 (Rupees '000)	2003 (Rupees '000)
Contingencies			
i)	Indemnity bonds and undertakings given to the customs authorities for the machinery imported by the Company for installation at plant site	119,650	3,455,024
ii)	Guarantees issued by banks on behalf of the Company	18,908	20,307
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	49,745	38,310
iv)	Claim by a supplier, not acknowledged as debt by the Company, pending decision of a civil suit filed by the Company against the supplier	-	13,363
v)	Claim by a supplier, not acknowledged as debt by the Company pending arbitration-net	8,756	-
vi)	Claim by a supplier, not acknowledged as debt by the Company	11,818	-
Commitments			
i)	Capital expenditure		
	- Contracted	301,971	135,084
	- Non-contracted	3,046,658	-
ii)	Letters of credit for purchase of raw material and stores and spares	369,863	528,402
iii)	Commitment for equity investment in Pakistan Maroc Phosphore S.A.- note 17.1, Moroccan Dirhams 150,000 thousand, equivalent approx.	1,091,805	-

15. PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

	COST			DEPRECIATION			Written down value as at December 31, 2004	Annual rate of depreciation % on cost
	As at January 1, 2004	Additions/ (disposals)/ transfers * adjustments **	As at December 31, 2004	As at January 1, 2004	For the year/ (on disposals)/ transfers * adjustments **	As at December 31, 2004		
Leasehold land	213,239	-	213,239	45,236	4,635	49,871	163,368	2 to 4
Buildings on leasehold land	1,460,124	1,299	1,461,423	175,134	43,843	218,977	1,242,446	3
Plant and machinery	17,049,259	24,335	17,191,856	3,372,388	861,770	4,235,535	12,956,321	5
		118,262 *			1,377 *			
Catalyst	2,047	20,802	22,849	409	4,377	4,786	18,063	25 to 50
Furniture and fittings	7,406	169	7,500	4,639	715	5,283	2,217	10
		(75)			(71)			
Vehicles	24,733	12,375	40,457	23,061	3,391	28,748	11,709	20
		(3,526)			(2,338)			
		6,875 *			4,634 *			
Office and other equipment	47,989	1,458	48,069	40,266	3,556	42,680	5,389	15
		(1,378)			(1,142)			
Computer and ancillary equipment	25,343	3,379	28,722	23,192	2,566	25,758	2,964	33
Library books	865	177	1,042	781	111	892	150	30
	18,831,005	63,994	19,015,157	3,685,106	924,964	4,612,530	14,402,627	
		(4,979)			(3,551)			
		125,137 *			6,011 *			
Assets subject to finance lease								
Plant and machinery	5,988	(5,988) *	-	1,377	(1,377) *	-	-	5
Vehicles	34,832	-	27,003	12,575	5,135	12,695	14,308	20
		(954)			(381)			
		(6,875)*			(4,634)*			
	40,820	(13,817)	27,003	13,952	(1,257)	12,695	14,308	
Capital work in progress note 15.1	6,089	228,599	122,414	-	-	-	122,414	
		(112,274)*						
2004	**18,877,914**	**292,593**	**19,164,574**	**3,699,058**	**930,099**	**4,625,225**	**14,539,349**	
		(5,933)			**(3,932)**			
2003	18,660,333	225,355	18,877,914	2,787,569	918,898	3,699,058	15,178,856	
		(7,722)			(7,386)			
		(52)**			(23)**			

	2004	2003
	(Rupees '000)	
15.1 Capital work in progress		
Advances to suppliers	117,061	-
Plant and machinery under construction	3,160	5,707
Building under construction	2,193	382
	122,414	6,089
15.2 Depreciation charge has been allocated as follows:		
Cost of sales	920,778	911,617
Administrative expenses	9,321	7,258
	930,099	918,875

	Cost	Book value	Sale proceeds
		(Rupees '000)	
15.3 Details of property, plant and equipment sold:			
Vehicles			
By Company policy to company employees			
Brig. Mateen Mohajir (Retd.)	954	573	577
Mr. Usman Iqbal Hashmi	849	509	694
Mr. Asif Wajid	849	679	865
Other items of property, plant and equipment with book value below Rs. 50 thousand	3,281	240	1,441
	5,933	**2,001**	**3,577**

16. INTANGIBLE ASSET

	2004	2003
	(Rupees '000)	
Process license fee	118,422	118,422
Less: Amortisation:		
Opening balance	94,736	71,052
Charge for the year	23,686	23,684
	118,422	94,736
	-	23,686

17. LONG TERM INVESTMENTS

	2004	2003
Advance against equity investment in foreign company		
Pakistan Maroc Phosphore S.A, Morocco - note 17.1		
Advance against issue of shares	358,600	-
Investment - available for sale		
Arabian Sea Country Club Limited (ASCCL) - note 17.2		
300,000 ordinary shares of Rs 10 each	3,000	3,000
Less: Impairment in value of investment	(3,000)	(3,000)
	-	-
	358,600	-

17.1 This represents 25% Company's share of Moroccan Dirhams 50,000 thousand being first tranche for investment in Pakistan Maroc Phosphore S.A. The Company's total investment will amount to Moroccan Dirhams 200,000 thousand representing 25% equity shareholding in Pakistan Maroc Phosphore S.A. The remaining three-fourth equity will be injected upon equity call by Pakistan Maroc Phosphore S.A., in future periods. Accordingly, a commitment for the same has been disclosed in note 14 to the financial statements.

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

17.2 As per audited accounts of ASCCL for the year ended June 30, 2004, the break-up value of an ordinary share was Rs 5.89 (June 30, 2003: Rs 5.94).

18. LONG TERM DEPOSITS AND DEFERRED COSTS

	2004 (Rupees '000)	2003 (Rupees '000)
Security deposit	15,308	15,360
Lease key money	4,050	5,619
Deferred costs	-	5,240
	19,358	26,219
Less: Current portion of long term deposits - note 24	(840)	(1,009)
	18,518	25,210

19. DEFERRED TAX

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

	2004	2003
Accelerated depreciation	117,850	1,058,560
Unabsorbed business losses	-	100,000
Provision against doubtful advances/receivables	19,463	835
Liabilities against assets subject to finance lease	6,214	9,583
Intangible assets	-	(8,290)
	143,527	1,160,688

20. STORES, SPARES AND LOOSE TOOLS

	2004	2003
Stores	57,323	72,239
Spares	408,072	349,792
Loose tools	-	285
Items in transit	55,004	33,599
	520,399	455,915

21. STOCK IN TRADE

	2004	2003
Packing materials	24,757	19,414
Raw materials	178,859	115,198
Work in process	4,482	6,465
Finished goods (include imported goods of Rs 4,751 thousand; 2003:Rs Nil)	44,154	68,434
	252,252	209,511

22. TRADE DEBTS

	2004 (Rupees '000)	2003
Considered good	430,822	390,658
Due from Fauji Foundation, an associated undertaking - considered good - note 22.1	424	1,719
	431,246	392,377

22.1 Maximum aggregate amount due from Fauji Foundation at the end of any month during the year was Rs 3,072 thousand (2003: Rs 5,356 thousand).

23. ADVANCES

	2004 (Rupees '000)	2003
Advance to Chief Executive, considered good - note 23.1	-	68
Advance to Executives,		
- Considered good - note 23.2	573	65
- Considered doubtful	51	51
	624	116
Provision for doubtful advances	(51)	(51)
	573	65
Advances to others		
- Considered good	1,941	549
- Considered doubtful	95	96
	2,036	645
Provision for doubtful advances	(95)	(96)
	1,941	549
Advances to suppliers		
- Considered good	204,877	11,204
- Considered doubtful	1,982	2,321
	206,859	13,525
Provision for doubtful advances	(1,982)	(2,321)
	204,877	11,204
	207,391	11,886

23.1 The Company paid interest free house rent on behalf of the Chief Executive. Maximum amount outstanding on this account at the end of any month during the year was Rs 51 thousand (2003 : Rs 255 thousand).

23.2 This represents interest free house rent paid by the Company on behalf of Executives. Maximum amount outstanding on this account at the end of any month during the year was Rs 625 thousand (2003: Rs 116 thousand).

24. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2004 (Rupees '000)	2003
Current portion of long term deposits - note 18	840	1,009
Security deposits	17	176
Prepayments	1,483	1,405
	2,340	2,590

	2004	2003
	(Rupees '000)	

25. OTHER RECEIVABLES

	2004	2003
Due from the holding company, considered good - note 25.1	315,492	238,553
Other receivables		
- Considered good - note 25.2	5,503	1,813
- Considered doubtful	53,482	53,482
	58,985	55,295
Provision for doubtful receivables	(53,482)	(53,482)
	5,503	1,813
Insurance claims	1,278	1,454
	322,273	241,820

25.1 This interest free balance represents amount recovered by the holding company from customers on sale of the Company's products. The maximum amount due on this account at the end of any month during the year was Rs 741,193 thousand (2003: Rs 532,916 thousand).

25.2 This includes Rs. 680 thousand (2003: Nil) receivable from Fauji Foundation on account of expenses incurred on its behalf. The maximum amount due on this account at the end of any month during the year was Rs 680 thousand (2003: Rs Nil).

26. BANK BALANCES

	2004	2003
	(Rupees '000)	
Deposit accounts - note 26.1	5,054,753	1,614,027
Current accounts	23,860	4,705
	5,078,613	1,618,732

26.1 This includes Rs 695,317 thousand (2003: Rs 349,481 thousand) which are under pledge with commercial banks against letters of credit and Rs 42,035 thousand (2003: Rs 22,439 thousand) held under lien by the commercial banks against bank guarantees issued on behalf of the Company.

27. SALES

	2004	2003
	(Rupees '000)	
27. SALES	12,532,752	6,013,984
Less: Sales tax	930,000	702,626
Trade discounts / commission	120,687	131,924
Commission to the holding company - note 27.1	19,655	12,919
	1,070,342	847,469
	11,462,410	5,166,515

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

28. COST OF SALES

	2004	2003
	(Rupees '000)	
Raw materials consumed	5,342,370	1,474,241
Packing materials consumed	226,776	124,987
Fuel and power	886,633	834,400
Chemicals and supplies	73,096	79,449
Salaries, wages and benefits - note 28.1	238,350	199,760
Rent, rates and taxes	19,992	18,925
Insurance	43,619	35,425
Travel and conveyance	22,660	23,761
Repairs and maintenance	191,194	191,934
Communication, establishment and other expenses	22,786	33,812
(Reversal of provision)/ provision for doubtful advances	(340)	147
Depreciation - note 15.2	920,778	911,617
Amortisation of intangible asset - notes 16	23,686	23,684
Opening stock - work in process	6,465	10,410
Closing stock - work in process	(4,482)	(6,465)
Cost of goods manufactured	8,013,583	3,956,087
Opening stock - finished goods	68,434	115,213
Goods imported for resale	163,760	-
	8,245,777	4,071,300
Closing stock - finished goods	(39,403)	(68,434)
- imported goods	(4,751)	-
	8,201,623	4,002,866

28.1 This includes charge on account of employees' retirement benefits aggregating Rs 17,846 thousand (2003: Rs 17,780 thousand).

29. OTHER OPERATING INCOME

	2004	2003
	(Rupees '000)	
Profit on bank balances	92,383	30,003
Scrap sales and miscellaneous receipts	13,729	8,890
Gain on sale of property, plant and equipment	1,576	4,508
	107,688	43,401

30. DISTRIBUTION COSTS

	2004	2003
Product transportation	734,718	452,761
Expenses charged by the holding company - note 30.1		
Salaries, wages and benefits	111,480	69,260
Rent, rates and taxes	19,324	12,487
Technical services	1,187	630
Travel and conveyance	19,089	10,666
Sales promotion and advertising	14,739	11,626
Communication, establishment and other expenses	8,995	8,434
Warehousing expenses	16,909	10,921
Depreciation	4,625	3,501
	196,348	127,525
	931,066	580,286

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

31. ADMINISTRATIVE EXPENSES

	2004	2003
	(Rupees '000)	
Salaries, wages and benefits - note 31.1	50,741	42,415
Travel and conveyance	5,328	7,027
Utilities	674	685
Printing and stationery	1,800	2,118
Repairs and maintenance	929	1,188
Communication, advertisement and other expenses	3,988	2,834
Rent, rates and taxes	1,418	1,208
Listing fee	1,346	4,398
Legal and professional	7,233	7,805
Depreciation - note 15.2	9,321	7,258
Amortisation of deferred costs	5,240	5,240
Miscellaneous	2,635	2,554
	90,653	84,730

31.1 This includes charge on account of employees' retirement benefits aggregating Rs 5,065 thousand (2003: Rs 5,763 thousand).

31.2 No donation was paid during the year (2003: Rs Nil).

32. OTHER OPERATING EXPENSES

	2004	2003
	(Rupees '000)	
Workers' Profit Participation Fund	113,066	19,229
Auditor's remuneration		
Fees - annual audit	400	400
Fees - half yearly review	100	100
Other certification	-	135
Out of pocket expenses	120	106
	620	741
	113,686	19,970

33. PROFIT FROM OPERATIONS

Profit from operations is stated after charging:

	2004	2003
Employees' retirement benefits		
- Contribution to Provident Fund	8,158	6,484
- Gratuity expense	6,672	8,036
- Provision for compensated absences	8,081	9,368
	22,911	23,888
Depreciation	930,099	918,875
Amortisation	28,926	28,924
	981,936	971,687

34. FINANCE COST

	2004 (Rupees '000)	2003 (Rupees '000)
Mark-up on long term financing		
- Banking companies and financial institutions	59,448	74,855
- PKIC, an associated undertaking	7,321	9,218
	66,769	84,073
Finance charge on leased property, plant and equipment	1,880	2,469
Mark-up on long term murabaha	6,194	7,799
Interest on long term loans		
- Banking companies and financial institutions	-	25,031
- CDCH, an associated undertaking	-	4,118
	-	29,149
Mark-up on short term borrowings	8,709	14,987
Guarantee fee		
- CDCH, an associated undertaking	-	9,804
- Banking company	-	325
	-	10,129
Interest on WPPF	95	101
Bank charges	876	413
Exchange loss	294	7,585
	84,817	156,705

35. TAXATION

	2004	2003
Current - note 35.1	-	(25,833)
Deferred	(772,161)	406,337
	(772,161)	380,504

35.1 In view of brought forward tax losses, provision for current taxation represents minimum tax on turnover in accordance with the provisions of section 113 of the Income Tax Ordinance, 2001.

35.2 Reconciliation of tax charge for the year:

	2004 (Rupees '000)	2004 %	2003 (Rupees '000)	2003 %
Profit before tax	2,148,253		365,359	
Compensation received from GOP	700,000		700,000	
	2,848,253		1,065,359	
Tax on profit	996,889	35.00	372,876	35
Tax effect of temporary differences	191,841	6.74	184,347	17
Tax effect of permanent differences	33,616	1.18	-	-
Tax effect of business losses	(83,003)	(2.91)	(557,223)	(52)
Tax effect of unabsorbed depreciation	(1,139,343)	(40.00)	-	-
Deferred tax asset (reversed)/recognised	(772,161)	(27.11)	406,337	38
Provision for minimum taxation	-	-	(25,833)	(2)
	(772,161)	(27.11)	380,504	35.72

36. COMPENSATION RECEIVED FROM GOVERNMENT OF PAKISTAN - NET OF TAX

GOP had committed to pay Rs 5,000,000 thousand over a period of seven years in lieu of non-implementation of Fertilizer Policy, 1989. On this account, amounts aggregating Rs 2,400,000 thousand have been received from GOP up to December 31, 2004. Balance of Rs 2,600,000 thousand will be received in two instalments of Rs 700,000 thousand each during the years 2005 and 2006 and two instalments of Rs 600,000 thousand each during the years 2007 and 2008, subject to netting off the agreed GOP loan repayments of Rs 648,200 thousand to be made by the Company each year. Tax amounting to Rs 245,000 thousand on Rs. 700,000 thousand (2003: Rs 245,000 thousand on Rs. 700,000 thousand) has been recognised in the profit and loss account during the year.

37. BASIC AND DILUTED EARNINGS PER SHARE

	2004	2003
	(Rupees '000)	
Net profit after extraordinary item (Rupees '000)	1,831,092	1,200,863
Weighted average number of ordinary shares in issue during the year (thousand)	926,040	919,000
Basic and diluted earnings per share (Rupees)	1.98	1.31

The Company issued 24,208,603 ordinary shares during the year by way of right offer. Number of shares in issue during the year 2003 have been restated for the effect of rights issue during the year 2004. There is no dilutive effect on the basic earnings per share of the Company for the year 2004.

38. CASH GENERATED FROM OPERATIONS

	2004	2003
	(Rupees '000)	
Profit from ordinary activities before taxation	2,148,253	365,359
Adjustments for:		
Depreciation	930,099	918,875
Adjustment to property, plant and equipment	-	52
Amortisation of intangible asset/deferred costs	28,926	28,924
Provision for gratuity	6,672	8,036
(Reversal of provision)/ provision for doubtful advances	(340)	147
Profit on bank balances	(92,383)	(30,003)
Finance cost	84,817	156,705
Gain on sale of property, plant and equipment	(1,576)	(4,508)
Operating profit before working capital changes	3,104,468	1,443,587
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(64,484)	9,099
Stock in trade	(42,741)	(78,837)
Trade debts	(38,869)	252,590
Advances	(195,166)	6,066
Trade deposits and short term prepayments	250	(1,405)
Other receivables	(80,453)	56,777
Sales tax refundable	61,764	(14,884)
Increase in current liabilities:		
Trade and other payables	810,419	336,476
	450,720	565,882
	3,555,188	2,009,469

39. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2004		2003	
	Chief Executive	**Executives**	Chief Executive	Executives
			(Rupees '000)	
Managerial remuneration	2,672	34,849	2,829	27,794
Bonus	-	3,524	-	-
Good performance award	120	1,384	-	-
Travel assistance	624	2,491	1,248	1,780
Employees' retirement benefits:				
- Gratuity Fund	381	2,033	817	5,111
- Contributory Provident Fund	137	1,651	138	1,314
- Compensated absences	250	3,176	435	1,583
Others	142	1,591	78	1,475
	4,326	50,699	5,545	39,057
No. of persons	**1**	**23**	1	2 0

The above were provided medical facilities. Chief Executive and certain executives were also provided with the Company's maintained vehicles and household equipment in accordance with the Company's policy. Leave encashment was paid to the Chief Executive and Executives amounting to Rs 685 thousand (2003: Rs Nil) and Rs 191 thousand (2003: Rs 1,199 thousand) on separation respectively in accordance with the Company's policy. The Company also makes contributions based on actuarial valuations to the gratuity fund.

In addition, the other directors of the Company were paid meeting fee aggregating Rs 40 thousand (2003: Rs 24 thousand). No remuneration was paid to directors of the Company; (2003: Rs Nil). The number of directors of the Company was 9 (2003: 9).

40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

40.1 Interest rate risk exposure

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities as of December 31, 2004 are as follows:

		Interest/mark-up bearing			Non-interest/mark-up bearing				
	Effective interest rates %	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	**2004**	2003
								(Rupees '000)	
Financial assets									
Long term deposits		-	-	-	-	18,518	18,518	**18,518**	25,210
Trade debts		-	-	-	431,246	-	431,246	**431,246**	392,377
Advances		-	-	-	2,036	-	2,036	**2,036**	645
Interest accrued		-	-	-	23,733	-	23,733	**23,733**	6,304
Other receivables		-	-	-	322,273	-	322,273	**322,273**	241,820
Bank balances	4.12	5,054,753	-	5,054,753	23,860	-	23,860	**5,078,613**	1,618,732
		5,054,753	-	5,054,753	803,148	18,518	821,666	**5,876,419**	2,285,088
Financial liabilities									
Recognised									
Long term financing	2.36	416,944	2,293,192	2,710,136	-	-	-	**2,710,136**	2,918,610
Liabilities against assets subject to finance lease	8.33	6,467	11,290	17,757	-	-	-	**17,757**	27,381
Long term murabaha	2.36	38,679	212,730	251,409	-	-	-	**251,409**	270,748
Long term loans		-	-	-	648,201	7,778,409	8,426,610	**8,426,610**	9,074,811
Short term borrowings	2.92	1,176,625	-	1,176,625	-	-	-	**1,176,625**	137,133
Trade and other payables	10.00	13,067	-	13,067	1,371,071	-	1,371,071	**1,384,138**	790,567
Mark - up accrued		-	-	-	27,536	-	27,536	**27,536**	2,494
		1,651,782	2,517,212	4,168,994	2,046,808	7,778,409	9,825,217	**13,994,211**	13,221,744
Unrecognised									
Contingencies		-	-	-	208,877	-	208,877	**208,877**	3,527,004
Commitments		-	-	-	3,892,005	918,292	4,810,297	**4,810,297**	663,486
		-	-	-	4,100,882	918,292	5,019,174	**5,019,174**	4,190,490
		1,651,782	2,517,212	4,168,994	6,147,690	8,696,701	14,844,391	**19,013,385**	17,412,234

40.2 Risk management

40.2.1 Concentration of credit risk

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

40.2.2 Foreign exchange risk management

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

40.3 Fair value of financial assets and liabilities

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

41. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Fauji Fertilizer Company Limited (FFC) with 50.88 % holding (2003: 52.23 % holding). FFC is sponsored by Fauji Foundation (FF), which holds 17.29 % shares (2003: 17.71 % shares) in the Company. Therefore all subsidiaries and associated undertakings of FF and FFC are related parties of the Company. In addition, Pak Kuwait Investment Company (Pvt) Limited (PKIC), CDC Holdings Sendirian Berhad, Malaysia (CDCH) and Pakistan Maroc Phosphore, Morocco, are also related parties of the Company due to common directorship. The related parties also comprise of directors, key management personnel, entities over which the directors are able to exercise influence, major suppliers and employees' funds. Associated undertakings of the Company with whom such transactions have taken place are given below. The remuneration of Chief Executive, directors and executives is disclosed in note 39 to the financial statements.

	2004	2003
	(Rupees '000)	
Transactions with related parties		
Fauji Fertilizer Company Limited		
Services and material acquired	213,527	135,780
Services and material provided	1,864	414
Collection from debtors of the company remitted	12,720,771	6,149,745
Commission paid	19,655	12,919
Equity injection	-	750,000
Item of property, plant and equipment sold	-	3
Reimbursement of expenses incurred on FFC's behalf related to long term investment	680	-
Issue of right shares to FFC Employees' Provident Fund Trust	11,139	-
Fauji Foundation		
Goods sold to the projects	2,885	6,912
Rent charged	640	614
Right shares issued	3,713	-
Equity injection	-	250,000
Receipt on account of payment made to Pakistan Maroc Phosphore S.A., on FF's behalf	358,600	-
Expenses related to long term investment incurred on FF's behalf	680	-
CDCH		
Repayment of principal portion of loan	-	93,679
Financial charges and guarantee commission paid	-	13,922
Right shares issued	24,015	-
PKIC		
Repayment of principal portion of loan	22,858	-
Financial charges paid	7,321	9,218
Right shares issued	5,350	-
Maroc Phosphore S.A., Morocco		
Purchase of raw materials	3,445,394	-
Pakistan Maroc Phosphore S.A.		
Advance against issue of shares	358,600	-
Jordan Phosphate Mines Company Limited		
Financial charges paid	-	34,671
Employees' retirement benefits		
Contribution to Provident Fund	8,158	14,314
Gratuity Fund	6,672	27,036

42. MAJOR CONTRACTS

The company has the following major agreements:

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

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

43. GENERAL

	2004	2003
	(Tonnes)	
43.1 Production capacity		
Design capacity		
Urea	551,100	551,100
DAP	445,500	445,500
Actual production		
Urea	574,286	560,009
DAP	380,947	73,205

	2004	2003
43.2 Number of employees at year end	759	788

43.3 As a result of amendments made by the Securities and Exchange Commission of Pakistan in the Fourth Schedule to the Companies Ordinance, 1984 through SRO 589(1)/2004 dated July 5, 2004, comparative figures have been rearranged or reclassified, wherever necessary, for the purpose of comparison.

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

43.5 These financial statements were authorised for issue by the Board of Directors of the Company on January 25, 2005.

CHAIRMAN | CHIEF EXECUTIVE | DIRECTOR

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2004

	PATTERN OF SHAREHOLDING	NO. OF SHARES
a)	**ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES**	
	FAUJI FERTILIZER COMPANY LIMITED	475,232,996
	FAUJI FOUNDATION	161,501,286
b)	**NIT AND ICP**	
	NATIONAL BANK OF PAKISTAN TRUSTEE DEPARTMENT	768,000
	ICP	25,390
c)	**DIRECTORS, CEO AND THEIR SPOUSE AND MINOR CHILDREN**	
	Lt. Gen. Syed Muhammad Amjad, HI, HI(M), (Retired)	1
	Maj.Gen Qamar ul Zaman, HI (M), (Retired)	1
	Lt. Gen Mahmud Ahmed, HI (M), (Retired)	1
	Brig Munawar Ahmed Rana (Retired)	-
	Brig. Aftab Ahmed (Retired) and wife (late), 500 shares each	1000
	Mr. Qaiser Javed	1
	Mr. Zaigham Mehmood Rizvi	1
	Mr. Shabbir Hashmi (including Right Shares)	4,521
	Mr. Nadir Rahman (including one FFC Share)	1001
d)	**EXECUTIVES**	
	Physical and CDC	152,556
e)	PUBLIC SECTOR COMPANIES AND CORPORATIONS.	-
f)	BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON-BANKING FINANCE INSTITUTIONS, INSURANCE COMPANIES, MODARABAS AND MUTUAL FUNDS	62,084,977
g)	**SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST**	
	FAUJI FERTILIZER COMPANY LIMITED	475,232,996
	FAUJI FOUNDATION	161,501,286
h)	**ASSOCIATED COMPANIES**	
	CDC HOLDINGS SENDIRIAN BERHAD, MALAYSIA	92,692,890
	PAKISTAN KUWAIT INVESTMENT COMPANY	4,999,845

PATTERN OF SHAREHOLDING
AS AT DECEMBER 31, 2004

NUMBER OF SHARES HOLDERS	SHAREHOLDINGS From		To	TOTAL NO.OF SHARES HELD
575	1	-	100	32,807
4642	101	-	500	2,134,009
2506	501	-	1,000	1,745,780
2395	1,001	-	5,000	6,225,679
722	5,001	-	10,000	5,463,102
292	10,001	-	15,000	3,621,536
150	15,001	-	20,000	2,734,547
131	20,001	-	25,000	3,007,864
57	25,001	-	30,000	1,607,293
46	30,001	-	35,000	1,511,118
47	35,001	-	40,000	1,793,686
17	40,001	-	45,000	730,321
52	45,001	-	50,000	2,526,632
22	50,001	-	55,000	1,154,411
32	55,001	-	60,000	1,850,929
6	60,001	-	65,000	377,235
7	65,001	-	70,000	476,388
9	70,001	-	75,000	650,783
7	75,001	-	80,000	550,042
6	80,001	-	85,000	491,322
10	85,001	-	90,000	890,433
5	90,001	-	95,000	464,644
20	95,001	-	100,000	1,993,716
4	100,001	-	105,000	409,232
3	105,001	-	110,000	327,648
9	110,001	-	115,000	1,017,740
4	115,001	-	120,000	472,207
4	120,001	-	125,000	489,589
3	125,001	-	130,000	389,000
4	130,001	-	135,000	531,146
1	135,001	-	140,000	139,000
2	140,001	-	145,000	286,164
3	145,001	-	150,000	449,500
3	150,001	-	155,000	459,595
2	155,001	-	160,000	317,785
4	165,001	-	170,000	676,592
3	170,001	-	175,000	520,864
2	175,001	-	180,000	353,868
1	185,001	-	190,000	186,000
3	190,001	-	195,000	577,472
22	195,001	-	200,000	4,395,500
1	205,001	-	210,000	207,500
2	210,001	-	215,000	428,032
1	235,001	-	240,000	238,411
2	240,001	-	245,000	484,951
3	245,001	-	250,000	750,000
3	250,001	-	255,000	758,043
1	255,001	-	260,000	258,500
2	265,001	-	270,000	535,891
1	280,001	-	285,000	282,600
1	290,001	-	295,000	293,000

NUMBER OF SHARES HOLDERS	SHAREHOLDINGS From		To	TOTAL NO.OF SHARES HELD
1	300,001	-	305,000	303,805
1	315,001	-	320,000	317,500
2	330,001	-	335,000	661,352
1	335,001	-	340,000	336,924
1	340,001	-	345,000	341,559
1	345,001	-	350,000	350,000
1	350,001	-	355,000	351,402
2	380,001	-	385,000	761,100
1	390,001	-	395,000	391,167
4	395,001	-	400,000	1,596,625
2	400,001	-	405,000	801,580
1	415,001	-	420,000	416,681
1	420,001	-	425,000	422,718
1	440,001	-	445,000	445,000
4	445,001	-	450,000	1,798,862
1	455,001	-	460,000	458,000
1	460,001	-	465,000	462,500
5	495,001	-	500,000	2,496,958
2	520,001	-	525,000	1,047,511
1	525,001	-	530,000	525,636
1	530,001	-	535,000	533,000
1	535,001	-	540,000	537,577
1	540,001	-	545,000	545,000
3	570,001	-	575,000	1,720,671
1	585,001	-	590,000	589,790
1	610,001	-	615,000	610,506
2	650,001	-	655,000	1,307,712
1	675,001	-	680,000	679,280
1	710,001	-	715,000	715,000
1	715,001	-	720,000	716,850
1	735,001	-	740,000	739,000
2	745,001	-	750,000	1,500,000
1	765,001	-	770,000	765,728
2	795,001	-	800,000	1,598,500
1	815,001	-	820,000	819,540
1	825,001	-	830,000	826,500
2	850,001	-	855,000	1,700,740
1	915,001	-	920,000	918,500
1	995,001	-	1,000,000	1,000,000
1	1,005,001	-	1,010,000	1,006,057
1	1,045,001	-	1,050,000	1,050,000
1	1,060,001	-	1,065,000	1,062,000
1	1,090,001	-	1,095,000	1,091,000
1	1,185,001	-	1,190,000	1,189,875
1	1,200,001	-	1,205,000	1,205,000
2	1,265,001	-	1,270,000	2,534,300
1	1,350,001	-	1,355,000	1,351,900
1	1,430,001	-	1,435,000	1,431,500
1	1,525,001	-	1,530,000	1,530,000
1	1,555,001	-	1,560,000	1,559,003
1	1,580,001	-	1,585,000	1,584,750
1	1,605,001	-	1,610,000	1,607,500
1	1,695,001	-	1,700,000	1,696,500
1	1,845,001	-	1,850,000	1,849,416

NUMBER OF SHARES HOLDERS	SHAREHOLDINGS From		To	TOTAL NO.OF SHARES HELD
1	1,995,001	-	2,000,000	2,000,000
1	2,095,001	-	2,100,000	2,100,000
1	2,455,001	-	2,460,000	2,459,866
1	2,495,001	-	2,500,000	2,498,427
1	2,500,001		2,505,000	2,501,500
1	2,530,001	-	2,535,000	2,534,000
1	2,630,001	-	2,635,000	2,633,185
1	2,775,001	-	2,780,000	2,779,000
1	2,785,001	-	2,790,000	2,789,258
1	2,870,001	-	2,875,000	2,874,000
1	3,230,001	-	3,235,000	3,235,000
1	3,260,001	-	3,265,000	3,264,533
1	3,390,001	-	3,395,000	3,395,000
1	4,340,001	-	4,345,000	4,341,400
2	4,995,001	-	5,000,000	9,999,845
1	7,080,001	-	7,085,000	7,080,250
1	9,295,001	-	9,300,000	9,300,000
1	11,525,001	-	11,530,000	11,529,500
1	15,235,001	-	15,240,000	15,238,382
1	92,690,001	-	92,695,000	92,692,890
1	161,500,001	-	161,505,000	161,501,286
1	475,230,001	-	475,235,000	475,232,996
11,948				**934,110,000**

CATEGORIES OF SHARE HOLDERS		NUMBER OF SHARES HOLDERS	SHARES HELD	PERCENTAGE
0 -	OTHERS	16	168,048,344	17.99%
1 -	INDIVIDUAL	11641	71,865,969	7.69%
2 -	INVESTMENT COMPANY	9	2,004,298	0.21%
3 -	INSURANCE COMPANY	15	4,881,750	0.52%
4 -	JOINT STOCK COMPANY	180	538,594,956	57.66%
5 -	FINANCIAL INSTITUTION	43	35,279,258	3.78%
6 -	MODARABA COMPANY	8	163,171	0.02%
7 -	FOREIGN COMPANY	12	93,289,390	9.99%
8 -	CO-OP. SOCIETY	3	51,324	0.01%
9 -	LEASING COMPANY	5	1,629,000	0.17%
10-	CHARITABLE TRUST	4	175,040	0.02%
11-	MODARABA MANAGEMENT COMPANIES	1	10,000	0.00%
12-	MUTUAL FUND	11	18,117,500	1.94%
	T O T A L:	**11,948**	**934,110,000**	**100%**

FAULI FERTILIZER BIN QASIM LIMITED

FORM OF PROXY

11TH ANNUAL GENERAL MEETING

I/We ....

of ....

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

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

of .... or failing him/her ....

of .... as my/our proxy in my/our absence ....

to attend and vote for me/us on my/our behalf at the 11th Annual General Meeting of the Company to be held on February 22, 2005 and/or any adjournment thereof.

In witness thereof I/We have signed and set my/our seal thereon this ....

day of .... 2005 in the presence of ....

Folio No.

Signature on Two 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, 93-Harley Street, Rawalpindi not less than 48 hours before the time of holding of the Meeting.

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

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AFFIX
CORRECT
POSTAGE

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

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