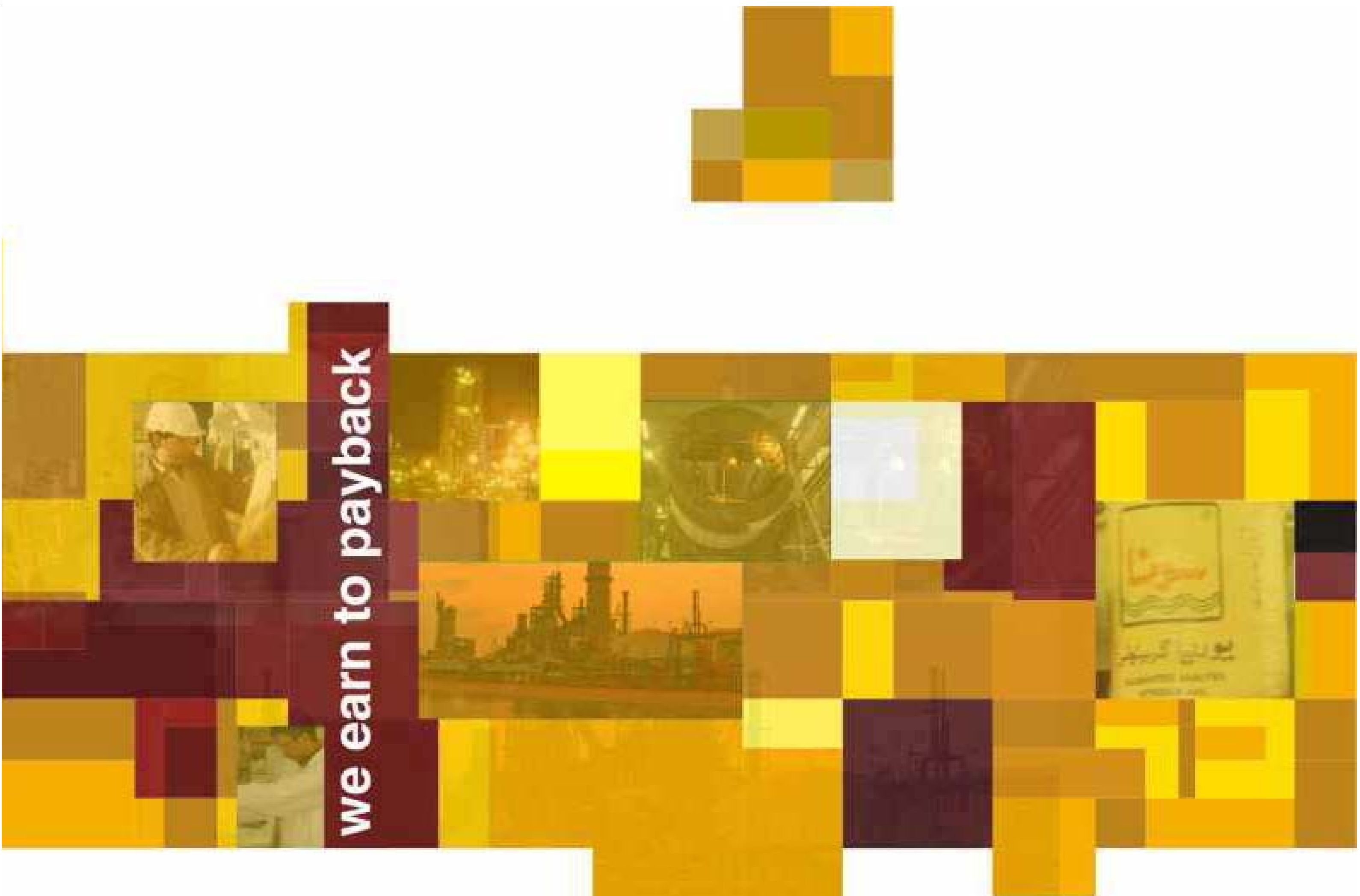
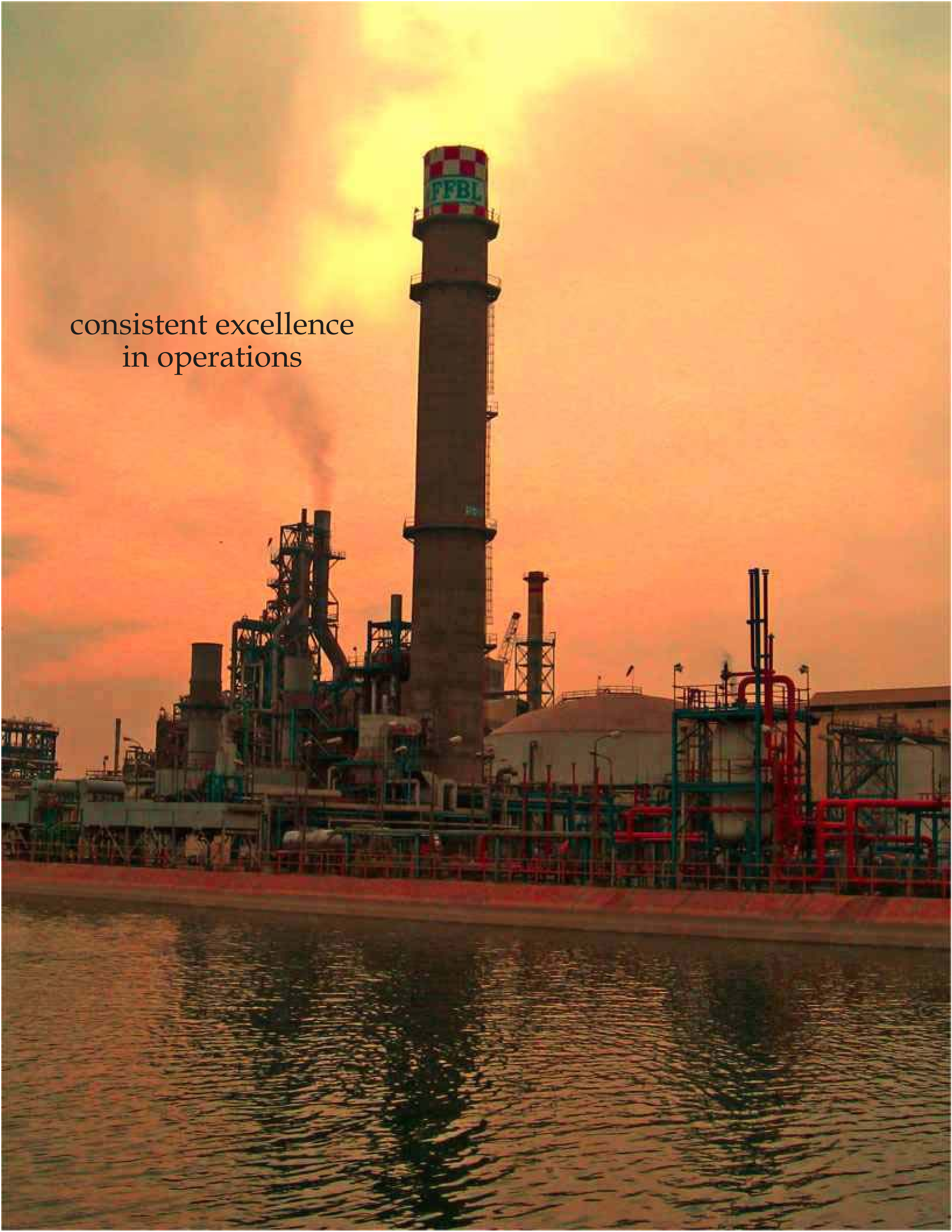


Annual Report 2007

FFBL

Fauji Fertilizer Bin Qasim Limited


consistent excellence
in operations
FFBL

we earn to payback

highest ever earnings after tax

Rs 2.5 billion

highest ever income from Treasury Operations

Rs 614 million

highest dividend paid

Rs 2.6 billion

contribution to the National Exchequer

Rs 1.4 billion

expanding business through diversification, both domestic and off-shore

Rs 1.4 billion

CONTENTS

Company Information

DIRECTORS	Lt Gen Syed Arif Hasan, HI(M), (Retired) **Chairman**
	Lt Gen Anis Ahmed Abbasi, HI(M), (Retired) **Chief Executive & Managing Director**
	Lt Gen Munir Hafiez, HI(M), (Retired)
	Mr Qaiser Javed
	Mr Istaqbal Mehdi
	Brig Arif Rasul Qureshi, SI(M), (Retired)
	Brig Rahat Khan, SI(M), (Retired)
	Dr Nadeem Inayat
	Brig Aslam Paunwar Khan, SI(M), (Retired)
SECRETARY	Brig Tariq Mahmood, SJ, SI(M), (Retired)
CFO	Syed Aamir Ahsan
REGISTERED OFFICE	73-Harley Street, Rawalpindi, Pakistan Tel : (051) 9272191 & 96-97 (051) 9270923 Fax : (051) 9272198-9 E-mail : secy@ffbl.com.pk Website : http://www.ffbl.com.pk
PLANTSITE	Bin Qasim, Karachi, Pakistan
AUDITORS	KPMG Taseer Hadi & Co Chartered Accountants 6th Floor, State Life Building, Jinnah Avenue, Islamabad.
LEGAL ADVISORS	Orr Dignam & Co Advocates, 3-A, Street 32, Sector F-8/1, Islamabad, Pakistan
SHARES DEPARTMENT	73-Harley Street, Rawalpindi Ph: (051) 9273251, 9272196-97

Board of Directors

Operating Highlights

Key Indicators		2002	2003	2004	2005	2006	2007
Operating							
Gross profit margin	%	26.24	22.52	28.44	32.01	31.85	**39.39**
Pre tax margin		29.15	20.62	24.80	27.46	25.54	**31.85**
After tax margin	%	53.91	23.25	15.97	17.18	16.62	**20.75**
Performance							
Return on total assets	%	7.90	3.85	6.25	8.11	7.19	**7.40**
Total assets turnover	Times	0.21	0.27	0.52	0.58	0.53	**0.42**
Fixed assets turnover	Times	0.25	0.34	0.79	0.98	0.99	**0.74**
Inventory turnover	Days	29	16	10	24	33	**34**
Return on paid up share capital *	%	13.97	8.20	14.73	21.35	21.30	**23.02**
Leverage							
Debt Equity Ratio	Times	77:23	66:34	59:41	57:43	56:44	**56:44**
Current Ratio	Times	0.84	1.53	1.53	1.46	1.34	**1.17**
Quick Ratio	Times	0.56	1.19	1.36	1.21	1.15	**0.97**
Valuation							
Earnings per share	Rs	3.90	1.31	1.98	2.62	2.62	**2.72**
Earning growth	%	140.50	(66.41)	51.15	32.32	-	**3.82**
Break up value	Rs	4.70	6.60	7.65	8.27	9.14	**9.11**
Dividend per share - Interim	Rs	-	-	1.00	2.00	1.25	**1.50**

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

		2002	2003	2004	2005	2006	2007
Dividend per share - Proposed Final**	Rs	-	-	-	0.50	1.25	**1.00**
Dividend payout ratio***	%	-	-	51.01	95.42	95.42	**91.90**
Price earning ratio	Times	2.45	13.44	15.45	14.56	10.81	**15.46**
Market price per share	Rs	9.55	17.60	30.60	38.15	28.30	**42.05**
Market capitalisation	Rs (M)	7,735	16,014	28,584	35,636	26,435	**39,279**

Historical Trends

			Rupees in million			
Trading Results						
Sales - net	3,953	5,167	11,462	14,255	14,707	**12,243**
Gross profit	1,037	1,164	3,261	4,563	4,684	**4,823**
Profit before taxation	1,152	1,065	2,848	3,915	3,757	**3,900**
Profit after taxation	2,131	1,201	1,831	2,449	2,445	**2,540**
Financial position						
Shareholders' equity	3,807	6,008	7,147	7,728	8,538	**8,509**
Property , plant and equipment	15,873	15,203	14,539	14,563	14,930	**16,458**
Working capital	(354)	1,027	2,382	2,922	2,893	**1,591**
Non current liabilities	12,788	11,408	10,296	10,508	10,714	**10,967**

** Post balance sheet event.

*** Including proposed final dividend.

VISION

To be the leading fertilizer manufacturing company with a diverse product base by:

- A commitment to valued customers
- Increasing stakeholders' value.
- Finding investment opportunities to remain progressive, flexible and viable.
- Excellence in operations.
- A prestigious market leader providing quality product to the agriculture sector.

VISION

MISSION

To be one of the best companies by maintaining spirit of excellence through sustained growth rate, competitive price, quality fertilizer, optimum profit to the total satisfaction of our stakeholders, and providing safe and conducive environment for the workforce.

MISSION

Notice of Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of the shareholders of Fauji Fertilizer Bin Qasim Limited will be held on February 27, 2008 at Pearl Continental Hotel, Rawalpindi, at 1100 hrs to transact the following business:-

Ordinary Business

1. To confirm minutes of Extraordinary General Meeting held on August 13, 2007.

2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and the Auditors' Reports for the year ended December 31, 2007.

3. To appoint Auditor(s) of the Company for the year 2008 and fix their remuneration.

4. To approve payment of Final Dividend for the year ended December 31, 2007 as recommended by the Board of Directors.

5. Any other business with permission of the Chairman.

Special Business

6. To consider and if thought fit, pass with or without modification, the following special resolution to amend the Articles of Association of the Company as recommended by the Board of Directors of the Company.

"RESOLVED that Article 67 of the Articles of Association of the Company be and is hereby replaced as under:-

> "Each Director, other than the regularly paid Chief Executive and full time working Director shall be entitled to be paid as remuneration for his services a fee as decided by the Board for meeting attended by him. Each Director (including each alternate Director) shall be entitled to be reimbursed expenses incurred in consequence of his attendance at meetings of the Directors or of Committees of Directors".

Further Resolved that the increase in Directors fee per meeting approved, vide Board resolution No. 33/2007, dated 18 October 2007 is hereby approved."

By Order of the Board
Fauji Fertilizer Bin Qasim Limited

Rawalpindi
February 04, 2008

Brig Tariq Mahmood (Retired)
Company Secretary

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

The existing Article 67 provides that until otherwise determined by the Company in General Meeting, each Director, other than the regularly paid Chief Executive and full time working Director shall be paid remuneration a fee at the rate of Rs 500 per meeting attended by him. This rate has not been enhanced since the incorporation of the Company and its review is overdue in light of efflux of time and current market practice. It is proposed that the power to review and fix the remuneration of directors as aforesaid should vest in the Board, as allowed by the Companies Ordinance 1984 subject to the Articles of Association, so as to avoid the need for revision in the Articles of Association each time that a review of the said fee is proposed. Therefore, Article 67 may be accordingly amended for the purpose as above.

Further, the approval of the shareholders is sought for the increase in the fee to Rs 10,000/-approved vide, Board resolution No. 33/2007 dated 18 October 2007.

Notes

1. Share transfer books of the Company will remain closed from 21 to 27 February 2008 (both days inclusive).

2. A member of the Company entitled to attend and vote at AGM may appoint a person/representative as proxy to attend and vote in place of member at the meeting. Proxies in order to be effective must be received at Company's Registered Office, 73-Harley Street, Rawalpindi, not later than 48 hours before the time of holding meeting.

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

4. Members, who have not yet submitted photocopy of their computerized National Identity Card to the company, are requested to send the same at the earliest.

Directors' Report

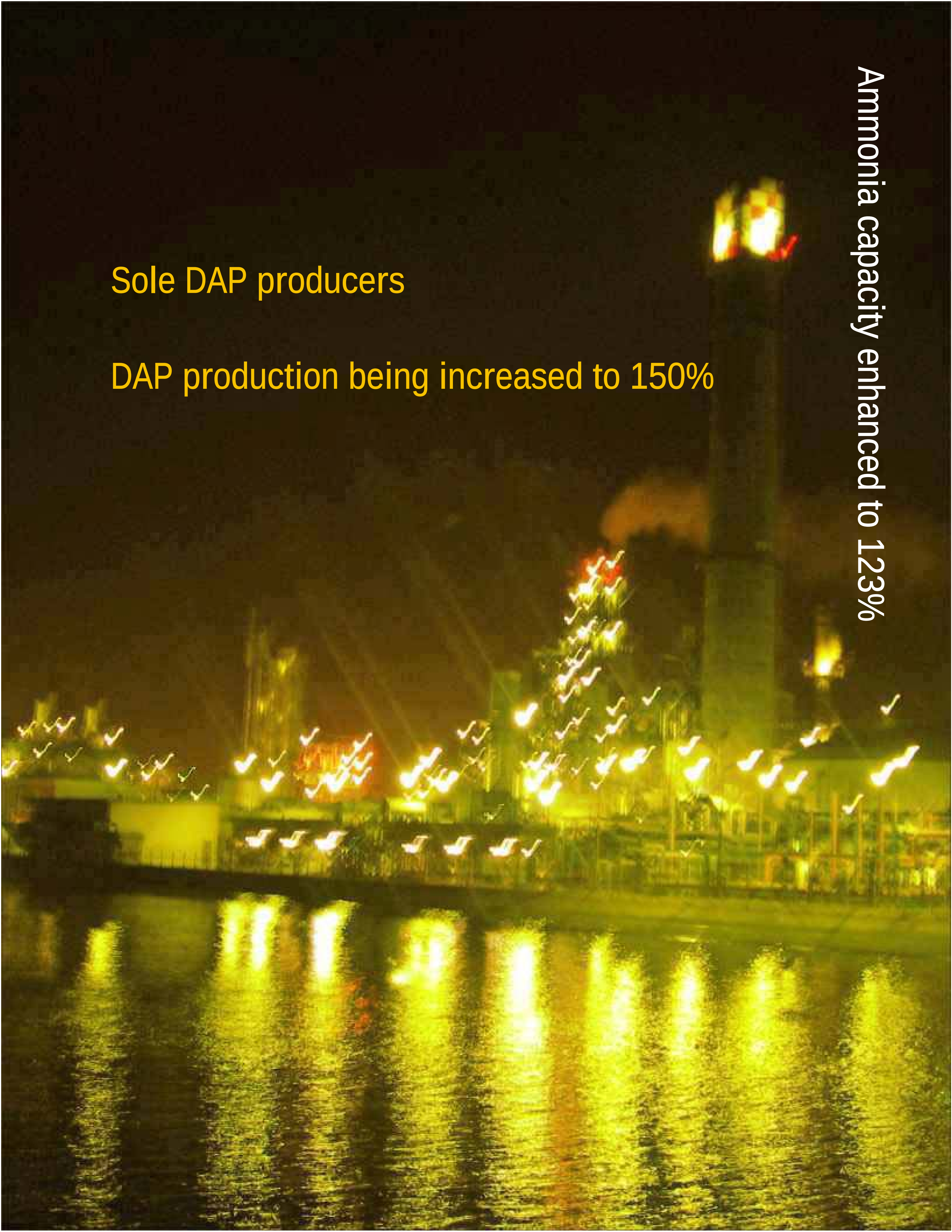
For the year ended December 31, 2007

The Board of Directors is pleased to present 14th Annual Report alongwith audited Financial Statements of the Company and the Auditors' report thereon for the year ended December 31, 2007.

Year 2007 had been significant in the history of the company, wherein Ammonia plant BMR was successfully completed during Turnaround 2007. In order to implement the same, plant operations remained suspended for nearly two months. However, after the start up in June, two issues i.e, ammonia compressor couplings damage and secondary reformer refractory failure were encountered. Resultantly, the plant remained shut down for a month more, during which both the problems were addressed. Since then Ammonia plant has been running smoothly.

DAP Revamp also commenced with effect from December 10, 2007 after detailed engineering provided by M/s Jacobs USA, which is expected to complete by end March 2008.

Urea and DAP plants operated for 268 and 246 days respectively, which were lower than the last year, resulting in lesser production.

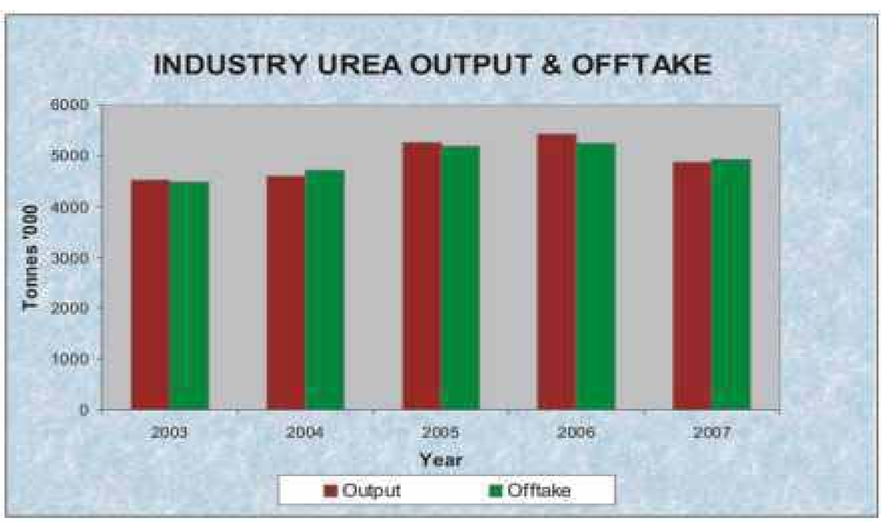

Sole DAP producers
DAP production being increased to 150%
Ammonia capacity enhanced to 123%

Fertilizer Industry Situation

• Urea Production, Import and Sales

Year 2007 started with 233 KT Urea inventory, which was 224% higher than the opening inventory of year 2006. Higher opening inventory with marketing companies, imports of 55 KT by TCP, large carry over stocks with the dealers and its low consumption resulted into an over supplied situation of Urea during the period under review. For Rabi season in November, Government also arranged 150 KT Urea imports from Saudi Arabia to ensure adequate supplies in the local market. The entire quantity of January 2007 imports and 50% of December imports were handed over to NFML and the balance quantity was distributed among manufacturers for marketing. All Urea manufacturers carried inventories throughout the year, which peaked at a high level of 810 KT in May 2007. It resulted into an immense competition among the companies, who offered lucrative incentives and discounts to increase sales and liquidate their stocks. All time high sales during quarter July-September improved the situation. However, sales for the year 2007 at 4,917 KT comparing 5,247 KT sales in the last year, resulted in 6% decline.

Total Urea production during the year was 4,755 KT, i.e, 1 % lower than 4,804 KT produced in year 2006. In January 2007, Urea prices were increased by Rs 10 per bag by all marketing companies, though reduced by Rs 7 per bag during February 2007 due to 10% reduction in fuel gas price by GOP. Urea prices were increased by Rs 10 per bag in July 2007 and again by Rs 10 per bag in December 2007.

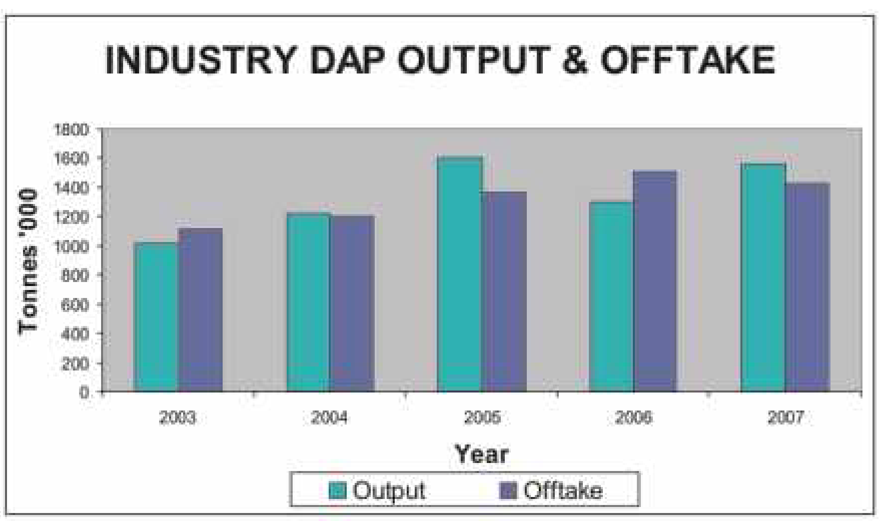


• DAP Production, Import and Sales

DAP market at the beginning of year 2007 showed a healthy trend, which was a continuation of the high demand situation of year 2006. DAP inventory at the commencement of the year was 119 KT, which was 59% lower comparing 292 KT inventory at the start of year 2006. Production during year 2007 was 357 KT i.e, 21% lower than 450 KT during year 2006.

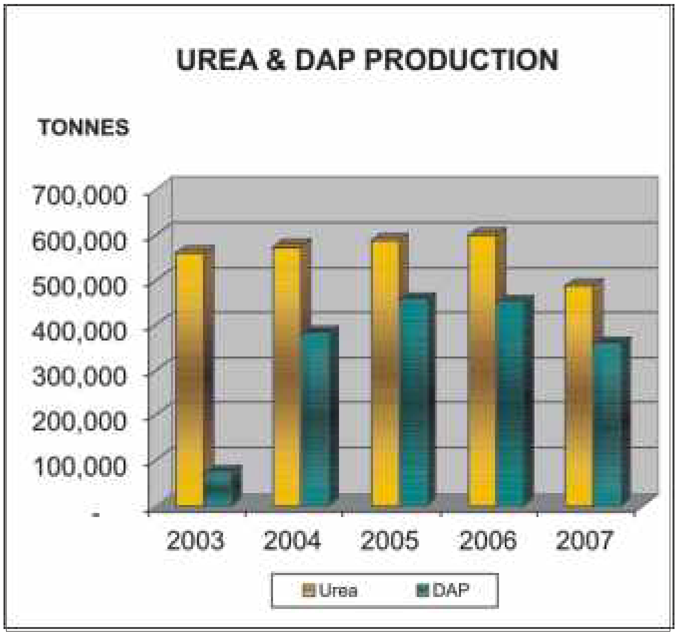
Sales and availability of DAP are highly dependant on imports and international market prices. A dramatic rise in price from US$250 per ton to US$620 per ton was observed in the international DAP market during the year, which left no choice for importers but to increase the price of DAP in domestic market. Consequently, Government of Pakistan (GOP) improved the subsidy from Rs 250 per 50 Kg bag to Rs 470 per bag, in order to ensure availability of DAP at reasonable prices in the country. Despite more subsidy by the GOP, prices of DAP increased by around Rs 470 per bag during the year. Higher prices may have a negative impact on DAP use in the country during year 2008.

Regular imports of DAP by different parties and production by the FFBL plant maintained a balanced supply situation throughout the year. 1200 KT DAP was imported during the year. Sales during year 2007 are estimated at 1,424 KT, depicting a decline of 6% against 1,508 KT sales of the last year. Inventory at end December 2007 is estimated at 251 KT, comparing 119 KT inventory at the end of year 2006. The existing inventory in the country is sufficient to meet the requirement of the Rabi 2007-08 season.



Operational Highlights

During the year under review the Company achieved ever-highest daily Ammonia production of 1,575 MT i.e, 124% on September 16, 2007. However, ammonia production at 362 KT, was 19% below the production of year 2006 and 8% below the target.



Granular Urea production at 488 KT was 19% lower than last year and 12% below the target, whereas DAP production at 357 KT was 21% lower than the last year, achieving 9% over the target. Urea inventory stood at 22 KT, which was 12% lower as compared to 25 KT inventory of year 2006. Similarly, DAP inventory at 9 KT was 125% higher as compared to 4 KT closing inventory of December 2006.

Ammonia BMR project was implemented in two phases, Phase-I was executed in year 2006 and Phase-II during March - May 2007 Turnaround, involving 62 foreign vendor service men (VSM) from different countries at a cost of 48.5 million Euros. Desired objectives were achieved, wherein ammonia production capacity has increased to 123%. DAP Plant revamp has been undertaken to utilize additional Ammonia available, wherein DAP plant capacity would be enhanced to 150% of its designed capacity.

Feed gas subsidy as well as GOP compensation shall end in the year 2008. The effects of these events are being mitigated through the above mentioned capacity expansions. The increased capacities will also cater, to a certain extent, for the increased fertilizer requirement of the country.

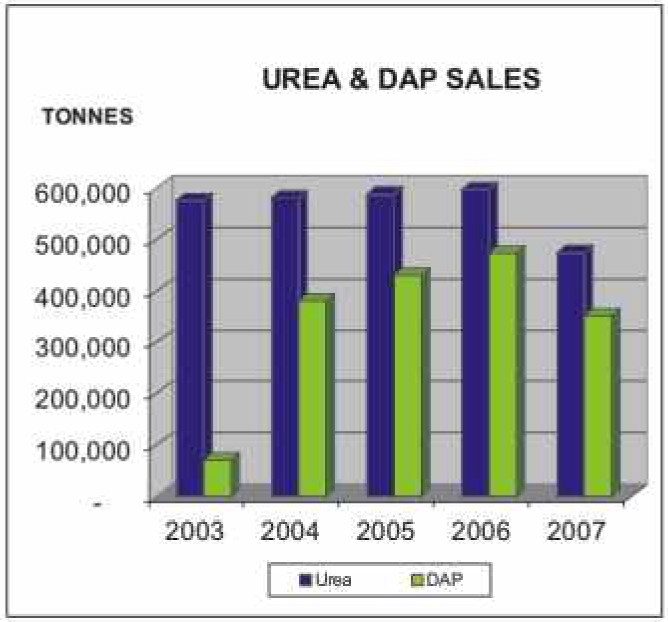
Amendment to existing GSA was signed by SSGC and FFBL on December 15, 2007 after hectic efforts. As per revised agreement, required quantity of gas i.e, 85 MMSCFD has been secured upto year 2015, extendable for further 10 years. Additional allocation of gas will help meeting our post-BMR requirement on sustained basis.

Marketing Highlights

The Company sold 474 KT of Urea in addition to 19 KT of the imported Urea. During year 2007, total Urea sales of 493 KT were 26% lower comparing 669 KT sales for the year 2006, thereby achieving 77% of the sales target.

Company's share of Urea market remained at 10%.

Sona DAP sales at 352 KT were 26% lower comparing 473 KT in the year 2006, thus meeting 110% of the sales target. DAP market share narrowed to 24.7% as compared to 31.1% in the last year.

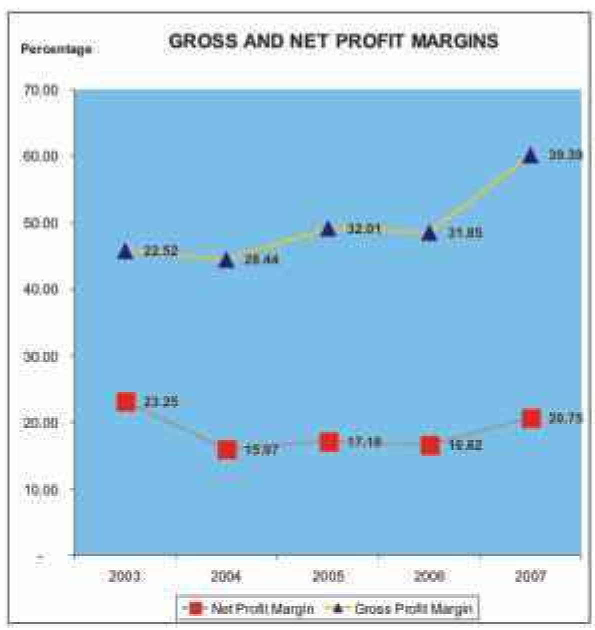


Financial Highlights

By the grace of Almighty Allah, the Company has earned the highest ever profit after tax, as summarized below:-

	2007 (Rs in million)	2006 (Rs in million)
Sales-net	**12,243**	14,707
Cost of sales	**7,420**	10,023
Gross Profit	**4,823**	4,684
Expenses	**(2,174)**	(2,179)
Other income	**1,251**	1,252
Taxation	**(1,360)**	(1,312)
Profit After Tax	**2,540**	2,445
Earnings per share (EPS)	**2.72**	2.62

DAP sales and cost of sales, net of subsidy decreased by 16% and 26% respectively. It is mainly attributable to continuity of DAP subsidy mechanism for the entire year, in addition to revision of subsidy on two occasions vis-à-vis limited period subsidy coverage of the last year, due to its announcement in the month of October. Lesser production during the year has resulted in lower raw material consumption. Selling expenses also decreased by 25%.



Other income includes GOP compensation, which has decreased from Rs 700 million in year 2006 to Rs 600 million in the current year. Other income mainly through treasury operations increased from Rs 552 million to Rs 652 million.

Net profit of Rs 2.5 billion for the year is higher than year 2006 by Rs 96 million. Consequently, earning per share increased to Rs 2.72 vis-a-vis Rs 2.62 of the last year.

Ever-highest daily
Ammonia production of
1,575 MT i.e, 124%

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.

Accounting Policies

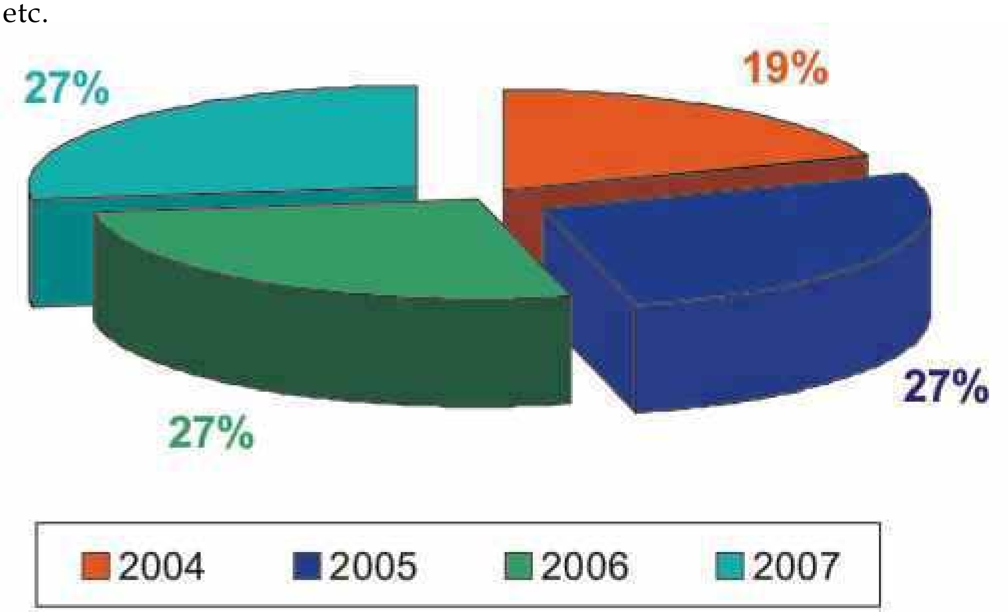
- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Proper books of accounts have been maintained.
- International Accounting Standards as applicable in Pakistan have been followed in the preparation of financial statements.
- Transactions undertaken with related parties during the financial year, are ratified by the Audit Committee and then approved by the Board of Directors. Amounts or appropriate proportions of outstanding items pertaining to the related parties and provision for doubtful debts and receivables from such parties, as at the balance sheet date, are disclosed in the financial statements.

Key Financial Data

Key operating and financial data of the last six years is attached to the annual report.

Contribution to National Exchequer

During the year, the Company has contributed an amount of Rs 1.425 billion towards the national exchequer on account of government levies, taxes and import duties, etc.



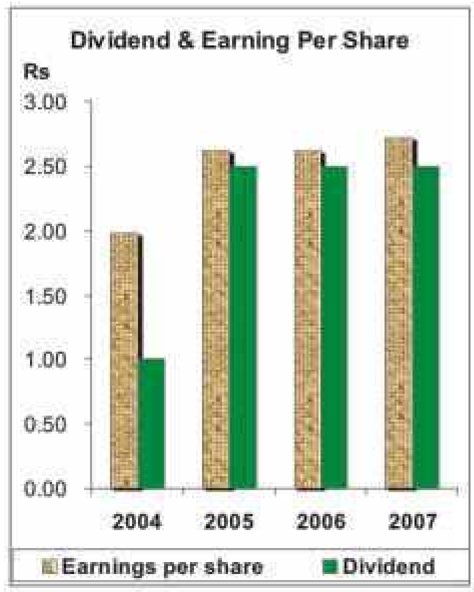
Financial Reporting

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.

Dividend Distribution

The Company paid the following dividends in the year.

- Final dividend @ Rs 1.25 /share for year 2006.
- 1st interim dividend @ Rs 0.50/share in the 2nd qtr.
- 2nd interim dividend @ Rs 1.00/share in the 3rd qtr.
- Final dividend @ Rs 1.00/share for year 2007.



Corporate Governance

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

- Audit Committee.
- Technical Committee.
- Human Resources Committee.

Best Practices of Corporate Governance

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

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.

Going Concern

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

Internal Control System

Company’s system of internal control is sound in design, effectively implemented and is being monitored continuously. Ongoing review will continue in future for further improvement in this respect. Instrument of daily morning meetings, both at Plantsite and Head office is being applied by the top management to watch and exercise a desirable level of control on all activities of the Company.

Integrated Management System (IMS)

Second routine surveillance audit was conducted by M/s BVQI at Plantsite and Head Office in November 2007, wherein the Company has been verified for compliance on the already achieved ISO standards in Quality, Occupational Health & Safety and Environment.

Auditors

Present auditors, Messrs KPMG Taseer Hadi & Company, Chartered Accountants, retired and offered themselves for re-appointment. The Board recommended re-appointment of retiring auditors for the year 2008 on the same terms and conditions.

Assessment of Effectiveness of Risk Management

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

Environment, Health and Safety

Overall performance of the plant in the field of environment, health and safety remained excellent. **Company achieved 6 Million Safe Man-hours on December 01, 2007, commencing May 27, 2004, surpassing previous record of 5.64 Million Safe Man-hours.**

Shareholders' Information

To update shareholders about the operation and growth of their Company, the management publishes and mails the following reports. The same are also uploaded on website of the Company:-

- The Company's annual financial statements alongwith directors' report and external auditors' report thereon.
- Second quarter and half yearly financial statement alongwith directors' review and external auditors' review/report thereon.
- First and third quarters financial statements alongwith the directors' review.

Shareholding Pattern

The pattern of shareholding is attached with this report.

Employee Retirement Benefits

Value of investments of provident and gratuity funds as on December 31, 2007 (un-audited) is as under:-

	2007 (Rs in million)	2006 (Rs in million)
Provident Fund	**233**	176
Gratuity Fund	**67**	51

Relations with Personnel and Community

Relationship amongst the Company, its employees and the community continues to be extremely cordial based on mutual respect and confidence, contributing to the optimum efficiency of the Company. Industrial Peace Agreement was signed on August 21, 2006 with CBA, for another two years, to the satisfaction of both parties and harmonious functioning.

Trading in Company Shares

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

- CE, Directors and executives of the Company or their spouses may acquire shares, but are prohibited from dealing in Company shares.
- If CE, any Director, Executives or their spouses sell, buy or take any position, whether directly or indirectly, in the shares of the Company, he/they will notify in writing within four days of affecting the transaction to the Company Secretary of their/his intention along with record of price, number of shares, form of shares certificates and nature of transaction.
- No Director, CE or Executive shall, directly or indirectly, deal in the shares of the Company in any manner during the closed period as determined by the Company prior to the announcement of interim / final results and any business decisions which may affect the market price of the Company's share.
- Directors, Chief Executive, CFO, Company Secretary and their spouses and minor children did not trade in Company's shares during the year.

Quality assurance - our core value

Board of Directors

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

	No of Meetings	
Lt Gen Syed Arif Hasan, HI(M), (Retired)	6	
Lt Gen Muhammad Akram, HI(M), (Retired)	6	Resigned
Lt Gen Anis Ahmed Abbasi, HI(M), (Retired)	-	Appointed with effect from January 7, 2008
Lt Gen Munir Hafiez, HI(M), (Retired)	4	
Mr Qaiser Javed	6	
Mr Istaqbal Mehdi	3	
Brig Arif Rasul Qureshi, SI(M), (Retired)	6	
Brig Rahat Khan, SI(M), (Retired)	4	
Dr Nadeem Inayat	6	
Brig Aslam Paunwar Khan, SI(M), (Retired)	6	

Vacation of Directors

Lt Gen Anis Ahmed Abbasi, HI(M), (Retd) has been appointed as Director (CE & MD) of the Company on resignation of Lt Gen Muhammad Akram, HI(M), (Retd). The Board places on record its appreciation for the valuable services rendered by the outgoing Director (CE & MD). Under his guidance, the Company achieved consistently higher profitability and executed three major projects i.e, phosphoric acid production plant in Morocco, Ammonia and DAP plants expansion at Bin Qasim. During this period, FFBL also diversified its investment in other projects i.e, power and cement sectors.

The Board welcomes the new incumbent and hope that the company will prosper further under his able guidance.

Board Committees

- ### Audit Committee

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

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

	No of Meetings
Mr Qaiser Javed	6
Brig Arif Rasul Qureshi, SI(M), (Retired)	6
Brig Rahat Khan, SI(M), (Retired)	3
Dr Nadeem Inayat	3

- ### Technical Committee

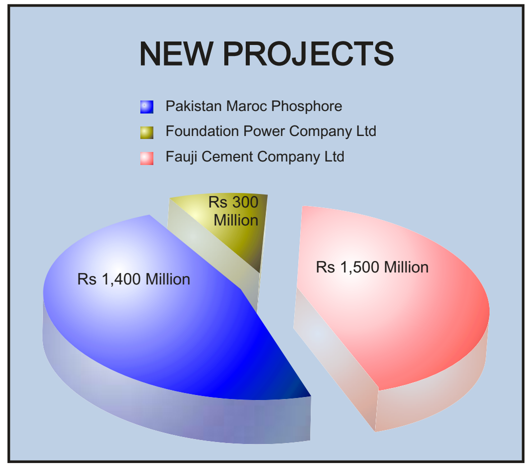
This Committee comprises 3 members including its Chairman. It reviews all technical matters pertaining to the plant operations and capital expenditure of the Company.

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

	No of Meetings
Brig Arif Rasul Qureshi, SI(M), (Retired)	4
Brig Rahat Khan, SI(M), (Retired)	3
Dr Nadeem Inayat	2

Going Forward

Company Plans / Ongoing Projects



The Company is a growth player in the business of fertilizer and is continuously working on its expansion through diversified plans with an effort to continue grabbing appropriate business opportunities in the future. Following projects have been funded through internally generated resources. Significant achievements in this context are:-

- **Balancing, Modernization, Replacement and Expansion (BMRE) - Ammonia Plant**

  Operating efficiency objectives in view, the Company successfully pursued its upgradation programme. By the Grace of Almighty Allah, Ammonia Plant BMR was completed in the year. The project was spread over two phases with overall financial impact of Euro 48.5 million. 40% of the job was carried out in Turnaround 2006, as phase-I. The remaining 60% job has been completed this year. Successful execution of BMR has resulted in improved efficiency, productivity and reliability of Ammonia Plant, enabling optimum utilization of plant capacity, i.e, production increase by 23% from 1270 to 1570 MTD. The following foreign companies were engaged during engineering design and implementation stages:-

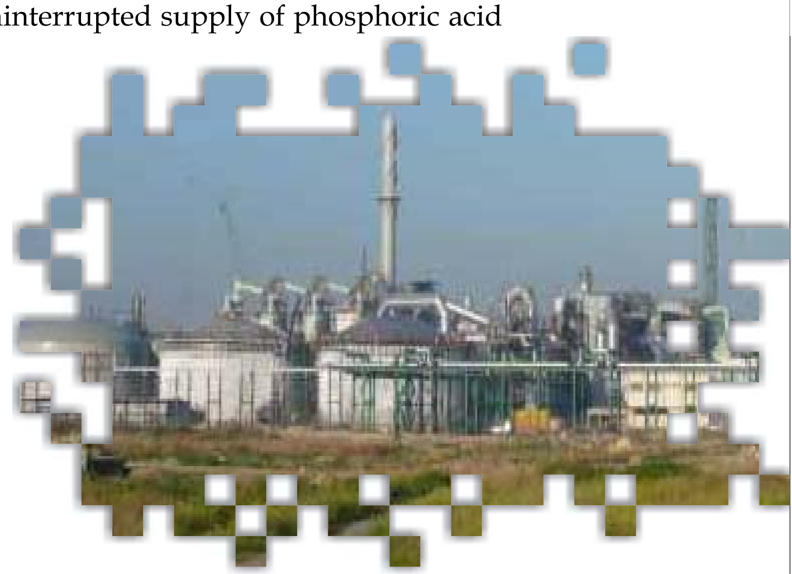
  - M/s Foster Wheeler, UK
  - M/s General Electric, USA
  - M/s Koch Glitsch, Italy
  - M/s Borsig, Germany
  - M/s UOPL, UK
  - M/s Air Products, UK
  - M/s Hitachi, Japan
  - M/s Johnson Matthey, UK
  - M/s Haldor Topsoe, Denmark

- ## Revamping Project - DAP Plant

DAP Plant revamp was envisaged with a view to utilizing Ammonia Plant post BMR, additional production. The project was initially scheduled to start in August 2007, however, delay in Engineering and Procurement Services Contract with M/s Jacobs - USA caused 31 weeks lapse in the detailed engineering. With our in-house efforts / proactive approach, over-all delay in the project was reduced to 12 weeks and completion was accordingly revised to November 27, 2007. Due to issues emerging in the wake of 'emergency' in the country, certain foreign companies i.e, Comessa - France and DLM-Morocco refused to visit Pakistan. On persuasion by the Company management / specific remedial actions these companies agreed to honour their commitments. Alhamdo-lillah, the project is back on track with a revised schedule causing only two weeks delay with minimal cost effect. Construction activities are in full swing and the project is progressing satisfactorily as per plan. Commissioning and startup is expected by end March 2008 within the approved budget of US$ 30 million ? ?? ??

- ## Pakistan Maroc Phosphore S.A, Morocco (PMP)

The Project has entered the start up phase, to complete within 2030 Million MAD (Moroccan Dirham) as budgeted. Mechanical erection, coupled with all major tests have been completed. Based on the present pace of progress, phosphoric acid production is likely to commence by February 15, 2008. On commissioning, this project will ensure uninterrupted supply of phosphoric acid (core raw material) for our DAP plant, coupled with enhanced earnings in the form of dividend. First off shore shipment of phosphoric acid is expected in March 2008, which will coincide with completion of FFBL's DAP plant de-bottlenecking already started wef 10 December 2007. Business plan for the year 2008 has been approved in the last PMP Board meeting held on January 4, 2008.



- **Foundation Power Company (Dharki) Limited (FPCDL)**

The security documents of the Project to include Power Purchase Agreement (PPA), Gas Supply Agreement (GSA) and Implementation Agreement (IA) have been signed alongwith completion of financial close by September 10, 2007. Engineering, Procurement and Construction (EPC) contractor has mobilized on site and his first shipment has also arrived. The civil works at the project are in progress. The project operations are likely to commence by 3rd quarter 2009.

- **Investment in Fauji Cement Company Limited (FCCL) Expansion Project**

Cement industry has witnessed exceptionally higher growth in local consumption as well as in exports during the year ended June 2007. In order to benefit from the growing demand, plant's expansion is becoming lucrative option for the cement manufacturers. Given the advantages of growing demand for cement and the diversification, the Company has decided to invest in this business.

Fauji Cement Company Limited (FCCL) operates one of the most efficient and well-maintained cement plants in the country, which consumes approximately 50% less energy with quicker production turnaround time. Its multi-fuel burning capability i.e, use of natural gas, coal or furnace oil optimizes its fuel efficiency / operating margins.

They are expanding existing operating capacity by 200% i.e, from 1.17 MTPA to 3.51 MTPA at an estimated cost of US$240 million. FFBL has invested an amount of Rs 300 Million in this project to become a 2.8% ordinary shareholder, thereby adding to its earnings.

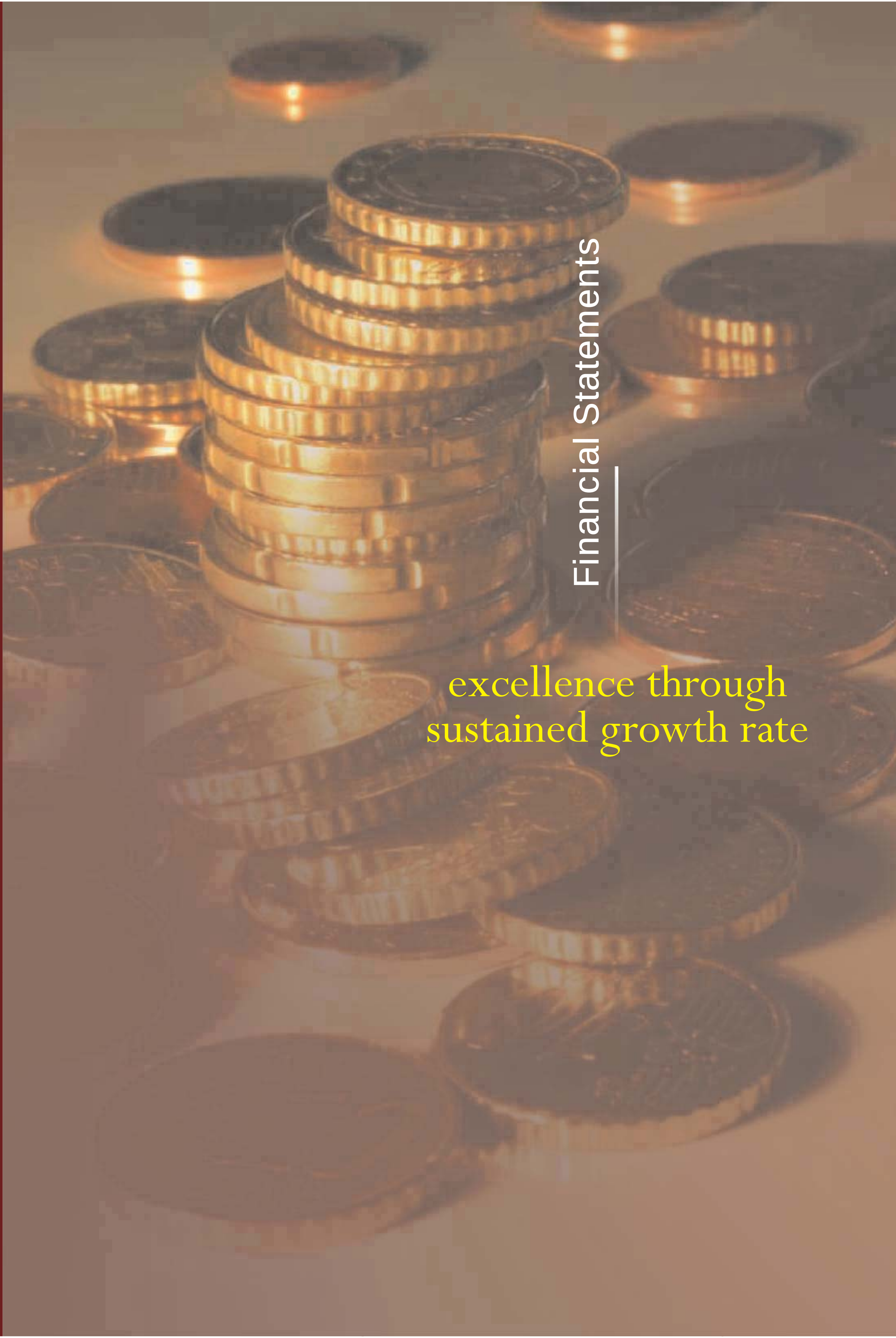
Acknowledgements

The Company achieved highest ever profit after tax of Rs 2.54 billion in the year 2007. This result isattributable to the guidance of the Board, collective efforts and commitment of management, staff & workers. The Board acknowledges the excellent team work and achievements of employees and places on record its appreciation for their dedicated efforts. The Board also pays gratitude to Company's customers, suppliers, bankers, SSGCL, GOP and valued shareholders for their support which contributed to Company's successes, and looks forward for their continued assistance in the future as well.

For and on behalf of the Board

Rawalpindi
January 24, 2008

Lt Gen Syed Arif Hasan (Retired)
Chairman



Financial Statements

excellence through
sustained growth rate

Statement of Compliance with the Code of Corporate Governance

Name of Company: Fauji Fertilizer Bin Qasim Limited

Year ended: 31 December 2007

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

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

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

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

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

4. No casual vacancy occurred in the Board during the year 2007.

5. 'Statement of Ethics and Business Practices' has been signed by all Directors and employees of the Company.

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 these were approved or amended has been maintained.

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

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

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

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

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

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

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

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

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

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

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

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

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

Rawalpindi
January 24, 2008

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

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2007.

Islamabad
January 24, 2008

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of Fauji Fertilizer Bin Qasim Limited ("the Company") as at December 31, 2007 and the related profit and loss account, cash flow statement, and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Islamabad
January 24, 2008

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

Balance Sheet
As at December 31, 2007

	Note	2007	2006
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Share capital	4	9,341,100	9,341,100
Capital reserve	5	228,350	228,350
Accumulated loss		(1,060,523)	(1,031,754)
		8,508,927	8,537,696
NON-CURRENT LIABILITIES			
Long term financing	6	1,042,360	1,459,304
Liabilities against assets subject to finance lease	7	-	3,310
Long term murabaha	8	96,694	135,373
Deferred tax	9	3,994,235	2,634,339
Long term loan	10	5,833,806	6,482,007
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	11	2,464,246	2,674,903
Mark - up accrued	12	123,887	104,952
Short term running finances	13	5,875,341	4,531,836
Current portion of:			
- Long term financing	6	416,944	416,944
- Liabilities against assets subject to finance lease	7	2,651	2,586
- Long term murabaha	8	38,679	38,679
- Long term loan	10	648,201	648,201
Sales tax payable		-	11,226
		9,569,949	8,429,327
		29,045,971	27,681,356
CONTINGENCIES AND COMMITMENTS	15		

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

	Note	2007	2006
		(Rupees '000)	
PROPERTY, PLANT AND EQUIPMENT	16	16,458,265	14,930,339
LONG TERM INVESTMENTS	17	1,411,150	1,411,150
LONG TERM DEPOSITS	18	15,228	17,273
CURRENT ASSETS			
Stores and spares	19	1,266,570	797,314
Stock in trade	20	587,946	800,535
Trade debts	21	243,751	231,272
Advances	22	79,519	61,160
Trade deposits and short term prepayments	23	8,467	5,058
Interest accrued		96,526	91,218
Other receivables	24	818,292	1,346,867
Income and sales tax refundable		365,026	251,034
Short term investments	25	3,894,662	502,387
Bank balances	26	3,800,569	7,235,749
		11,161,328	11,322,594
		29,045,971	27,681,356

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

Profit and Loss Account
For the year ended December 31, 2007

	Note	2007	2006
		(Rupees '000)	
Sales - net	27	12,242,888	14,707,288
Cost of sales	28	(7,420,310)	(10,023,044)
GROSS PROFIT		4,822,578	4,684,244
Distribution costs	29	(1,068,629)	(1,420,401)
Administrative expenses	30	(131,369)	(103,143)
		3,622,580	3,160,700
Finance cost	31	(630,513)	(412,870)
Other operating expenses	32	(343,813)	(243,074)
		2,648,254	2,504,756
Other income			
Compensation from GOP	33	600,000	700,000
Others	34	651,675	552,158
		1,251,675	1,252,158
PROFIT BEFORE TAXATION		3,899,929	3,756,914
Taxation	35	(1,359,896)	(1,312,056)
PROFIT AFTER TAXATION		2,540,033	2,444,858
Basic and diluted earnings per share (Rupees)	36	2.72	2.62

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

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement

For the year ended December 31, 2007

	Note	2007	2006
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	4,462,692	2,888,625
Finance cost paid		(611,332)	(401,765)
Compensation received from GOP (net)		51,800	51,800
Taxes paid		(60,935)	(107,272)
Payment to gratuity fund		(13,894)	(11,141)
Payment to Workers' Profit Participation Fund		(175,219)	(159,386)
Net cash generated from operating activities		3,653,112	2,260,861
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(2,750,728)	(1,358,324)
Proceeds from sale of property, plant and equipment		17,878	3,990
Investment in Pakistan Maroc Phosphore S.A. Morocco		-	(676,875)
Long term deposits		422	121
Short term investments - net		(1,747,677)	(500,000)
Profit received on bank balances		513,844	512,525
Net cash used in investing activities		(3,966,261)	(2,018,563)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayments		(416,944)	(416,944)
Principal portion of lease rentals paid		(3,245)	(4,413)
Long term murabaha - repayments		(38,679)	(38,678)
Dividends paid		(2,456,668)	(1,773,316)
Net cash used in financing activities		(2,915,536)	(2,233,351)
Net decrease in cash and cash equivalents		(3,228,685)	(1,991,053)
Cash and cash equivalents at beginning of the year		2,703,913	4,694,966
Cash and cash equivalents at end of the year		(524,772)	2,703,913
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprises the following balance sheet amounts:			
- Bank balances	26	3,800,569	7,235,749
- Short term highly liquid investments		1,550,000	-
- Short term running finances	13	(5,875,341)	(4,531,836)
		(524,772)	2,703,913

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

CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR

Statement of Changes in Equity
For the year ended December 31, 2007

	Share capital	Capital reserve	Accumulated loss	Total
		(Rupees '000)		
Balance at January 01, 2006	9,341,100	228,350	(1,841,919)	7,727,531
Final dividend 2005 (Re. 0.50 per ordinary share)	-	-	(467,055)	(467,055)
Profit for the year	-	-	2,444,858	2,444,858
First interim dividend 2006 (Re. 0.5 per ordinary share)	-	-	(467,055)	(467,055)
Second interim dividend 2006 (Re. 0.75 per ordinary share)	-	-	(700,583)	(700,583)
Balance at December 31, 2006	9,341,100	228,350	(1,031,754)	8,537,696
Final dividend 2006 (Rs: 1.25 per ordinary share)	-	-	(1,167,637)	(1,167,637)
Profit for the year	-	-	2,540,033	2,540,033
First interim dividend 2007 (Re. 0.5 per ordinary share)	-	-	(467,055)	(467,055)
Second interim dividend 2007 (Rs. 1 per ordinary share)	-	-	(934,110)	(934,110)
Balance at December 31, 2007	9,341,100	228,350	(1,060,523)	8,508,927

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

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

1. STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention and basis of preparation

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

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

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

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

3.1.1 Staff retirement gratuity

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

3.1.2 Property, plant and equipment

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

3.1.3 Provision for inventory obsolescence and doubtful receivables

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

3.1.4 Taxation

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

3.2 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements of the Company are presented in Pak Rupees, which is the company’s functional and presentation currency.

3.3 Employees' retirement benefits

The Company has the following plans for its employees:

Provident Fund - Defined Contribution Scheme

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

Gratuity Fund - Defined Benefit Scheme

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

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

Compensated absences

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

3.4 Taxation

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

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

3.5 Property, plant and equipment and capital work in progress

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

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

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

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

Change in estimate

Depreciation on addition in property, plant and equipment is charged from the month of addition while no depreciation is charged in the month of disposal. Previously, full year's depreciation was being charged in the year of addition and no depreciation in the year of disposal. This change in accounting estimate has resulted in decrease in depreciation charge for the year by Rs. 73,426 thousand with corresponding increase in carrying value of property, plant and equipment and profit before taxation by the same amount.

Assets subject to finance lease

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

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

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

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

3.6 **Borrowing costs**

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

3.7 **Investments**

3.7.1 **Investment available for sale**

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

3.7.2 **Investments at fair value through profit or loss**

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

3.7.3 **Investment in Joint Venture Company**

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

3.7.4 **Loans and receivables**

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

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

3.8 **Impairment**

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

3.9 **Stores and spares**

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

3.10 Stock in trade

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

Cost is determined as follows:

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

Net realisable value signifies the estimated selling price in the ordinary course of business less 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, if any. Bad debts are written off when identified.

3.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash at bank and short term running finances.

3.13 Trade and other payables

Trade and other payables 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 amortised cost.

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 currency transactions

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

3.18 Revenue recognition

Sales

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

Profit on bank balances / deposits

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

Dividend income

Dividend income is recognized when right to receive the dividend is established.

Scrap sales and miscellaneous receipts

Scrap sales and miscellaneous receipts are recognised on realized amounts.

3.19 Basis of allocation of common expenses

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

3.20 Government compensation

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

3.21 DAP subsidy for farmers

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

3.22 Off-setting of financial assets and liabilities

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

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

The following standards, interpretations and amendments to approved accounting standards effective for accounting period beginning on or after 01 January 2008, are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements:

IAS – 1 Presentation of Financial Statements (revised 2007);
IAS – 23 Borrowing Costs (as revised);
IAS – 41 Agriculture;
IFRIC – 11 Group and Treasury Share Transactions;
IFRIC – 12 Service Concession Arrangements;
IFRIC – 13 Customer Loyalty Programmes;
IFRIC – 14 The limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

	2007	2006
	(Rupees '000)	

4. SHARE CAPITAL

4.1 ISSUED, SUBSCRIBED AND PAID - UP CAPITAL

	2007	2006
934,110,003 Ordinary shares of Rs 10 each issued for cash	9,341,100	9,341,100

4.2 The holding company, Fauji Foundation, and Pak Kuwait Investment Company (Pvt) Ltd (PKIC) held 475,232,996, 161,501,286, and 2,762,345 (2006 : 475,232,996, 161,501,286 and 4,080,845) ordinary shares respectively of the Company at the year end.

4.3 AUTHORIZED SHARE CAPITAL

	2007	2006
	(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

	2007	2006
	(Rupees '000)	
From banking companies and financial institutions		
Habib Bank Limited (HBL)	454,284	584,080
Standard Chartered Bank (SCB)	259,770	333,990
MCB Bank Limited (MCB)	447,827	575,777
Askari Bank Limited (ABL)	100,000	128,571
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited (SAPICO)	37,423	48,116
	1,299,304	1,670,534
From associated company		
Pak Kuwait Investment Company (Pvt) Limited (PKIC)	160,000	205,714
	1,459,304	1,876,248
Less: Current portion shown under current liabilities	416,944	416,944
	1,042,360	1,459,304

Lenders	Purchase price	Marked-up price	Mark-up rate	No. of quarterly installments outstanding	Repayment commenced from
	(Rupees '000)				
HBL	908,570	1,690,772	12 months' Treasury bill rate	14	July 2004
SCB	519,539	966,819	12 months' Treasury bill rate	14	July 2004
MCB	895,653	1,666,735	12 months' Treasury bill rate	14	July 2004
ABL	200,000	372,183	12 months' Treasury bill rate	14	July 2004
SAPICO	74,847	139,283	12 months' Treasury bill rate	14	July 2004
PKIC	320,000	595,493	12 months' Treasury bill rate	14	July 2004

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

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007		2006	
	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	2,675	-	2,801	3,338
Less: Finance charge allocated to future periods	24	-	215	28
	2,651	-	2,586	3,310

Lease rentals include finance charge of 8% (2006:8% to 16%) per annum, which have been used as discounting factor and are payable on monthly basis. The Company has an option to purchase the assets upon completion of lease period by adjusting the security deposits amounting to Rs 1,623 thousand (2006: Rs 2,045 thousand) and has intention to exercise the option.

	2007	2006
	(Rupees '000)	
8. LONG TERM MURABAHA - SECURED		
Faysal Bank Limited (FBL) - a banking company	135,373	174,052
Less: Current portion shown under current liabilities	38,679	38,679
	96,694	135,373

Lender	Facility	Purchase price	Mark-up rate	No. of quarterly installments outstanding	Repayment commenced from
	(Rupees '000)				
FBL	270,748	503,840	12 months' Treasury bill rate	14	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.

	2007	2006
	(Rupees '000)	

9. DEFERRED TAX LIABILITY

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

	2007	2006
Accelerated depreciation	4,025,791	2,656,641
Provision against doubtful receivables	(18,734)	(18,734)
Provision for inventory obsolescence	(11,894)	(1,504)
Liabilities against assets subject to finance lease	(928)	(2,064)
	3,994,235	2,634,339

10. LONG TERM LOAN - UNSECURED

	2007	2006
Government of Pakistan (GOP) loan - note 10.1	4,552,690	4,860,646
Deferred Government Assistance - note 10.1	1,929,317	2,269,562
	6,482,007	7,130,208
Less: Current portion shown under current liabilities	648,201	648,201
	5,833,806	6,482,007

10.1 This represents balance amount of GOP loan amounting to Rs 9,723,011 thousand which is repayable in equal installments in 16 years with 1 year grace at zero percent effective November 30, 2001. Final installment will be paid in June 2017. This loan in accordance with International Accounting Standard-39 "Financial Instruments: Recognition and Measurement" is stated at its fair value and the difference is recognised as Deferred Government assistance. Deferred Government assistance is being amortised to fully offset the financial charge on the loan at an imputed rate of 7%. The amount amortised and offset against financial charges during the year amounted to Rs 340,245 thousand.

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

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

Since two ECA have yet to release HBL from its responsibility as guarantor therefore, the above referred guarantee and related charge on assets of the Company have not been vacated upto December 31, 2007. The Company is making efforts in getting this guarantee released.

		2007	2006
		(Rupees '000)	
11.	**TRADE AND OTHER PAYABLES**		
	Creditors	1,048,909	1,497,540
	Accrued liabilities	495,602	397,603
	Advances from customers	351,393	472,353
	Workers' Profit Participation Fund - note 11.1	17,786	14,973
	Workers' Welfare Fund	155,560	77,561
	Unclaimed dividend	295,461	183,327
	Tax deducted at source	1,958	2,002
	Other payables - note 11.2	97,577	29,544
		2,464,246	2,674,903
11.1	**Workers' Profit Participation Fund (WPPF)**		
	Balance at beginning of the year	14,973	9,206
	Interest on funds utilised in the Company's business	246	180
	Allocation for the year	177,786	164,973
		193,005	174,359
	Payment to WPPF during the year	(175,219)	(159,386)
		17,786	14,973

11.2 This includes Rs 48 million payable to GOP after netting off the GOP compensation amounting to Rs 600 million for the year 2007 against the agreed loan repayment of Rs 648 million.

		2007	2006
		(Rupees '000)	
12.	**MARK - UP ACCRUED**		
	On long term financing		
	From banking companies and financial institutions	30,781	38,036
	From PKIC, an associated undertaking	3,791	4,669
		34,572	42,705
	On long term murabaha	3,207	3,830
	On short term running finances	86,108	58,417
		123,887	104,952

13. SHORT TERM RUNNING FINANCES - SECURED

The Company has arranged short term facilities from various banks on mark-up basis aggregating Rs. 7,600,000 thousand (2006: Rs. 4,700,000 thousand). These facilities carry mark-up ranging from 5.4% to 10.5% per annum (2006: 10.23 % to 10.71% per annum) at the year end and are secured by hypothecation charge over stocks and current assets of the Company and lien on bank deposits. The purchase prices are repayable on various dates by the Company.

		2007	2006
		(Rupees '000)	
14.	**GRATUITY FUND**		
a)	**Reconciliation of amounts recognised in the balance sheet is as follow:**		
	Present value of defined benefit obligation	95,727	69,346
	Fair value of plan assets	(68,510)	(50,528)
	Deficit	27,217	18,818
	Net actuarial losses not recognized	(27,217)	(17,611)
	Unrecognised transitional liability	-	(1,207)
		-	-
b)	**The movement in the present value of defined benefit obligation is as follows:**		
	Present value of defined benefit obligation at beginning of the year	69,346	51,513
	Current service cost	9,835	8,214
	Interest cost	6,935	5,151
	Benefits paid during the year	(5,806)	(2,111)
	Actuarial loss	15,417	6,579
	Present value of defined benefit obligation at end of the year	95,727	69,346
c)	**The movement in fair value of plan assets is as follows:**		
	Fair value of plan assets at beginning of the year	50,528	38,690
	Expected return on plan assets	5,053	3,869
	Contributions	13,894	11,141
	Benefits paid during the year	(5,806)	(2,111)
	Actuarial gain/(loss)	4,841	(1,061)
	Fair value of plan assets at end of the year	68,510	50,528
d)	**Plan assets comprise of:**		
	Investment in listed securities	16,004	14,658
	Investment in mutual funds	8,417	-
	Term deposit receipts	26,200	20,165
	Cash and bank balances	17,889	15,705
		68,510	50,528
e)	Actual return on plan assets	8,154	3,213
	Contributions expected to be paid to the plan during the next financial year	17,778	13,894

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

		2007	2006
		(Rupees '000)	
g)	**Movement in liability recognised in the balance sheet:**		
	Opening liability	-	-
	Expense for the year	13,894	11,141
	Payments to the fund during the year	(13,894)	(11,141)
	Closing liability	-	-
h)	**Amount recognised in the profit and loss account is as follows:**		
	Current service cost	9,835	8,214
	Interest cost	6,935	5,151
	Expected return on plan assets	(5,053)	(3,869)
	Actuarial losses recognised	970	438
	Recognised transitional liability	1,207	1,207
		13,894	11,141
i)	**The expense is recognised in the following line items in the profit and loss account:**		
	Cost of sales	12,165	10,084
	Administrative expenses	1,729	1,057
		13,894	11,141

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

	2007	2006	2005	2004	2003
			(Rupees '000)		
Present value of defined benefit obligation	95,727	69,346	51,513	36,576	32,000
Fair value of plan assets	(68,510)	(50,528)	(38,690)	(31,806)	(26,567)
Deficit	27,217	18,818	12,823	4,770	5,433
Experience adjustments					
- on obligations	15,417	6,579	8,962	(1,496)	(6)
- on plan assets	4,841	(1,061)	(298)	(2,040)	(611)

		2007	2006
		(Rupees '000)	
k)	**Principal actuarial assumptions used in the actuarial valuation carried out as at December 31, 2007 are as follows:**		
	Discount rate	10.00%	10.00%
	Expected rate of salary growth	10.00%	10.00%
	Expected rate of return on plan assets	10.00%	10.00%

		2007	2006
15.	**CONTINGENCIES AND COMMITMENTS**	(Rupees '000)	
	Contingencies		
i)	Indemnity bonds and undertakings given to customs authorities for machinery imported by the Company for installation at plant site	119,650	119,650
ii)	Guarantees issued by banks on behalf of the Company	29,857	28,469
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	49,118	50,727
iv)	Claim by a supplier, not acknowledged as debt by the Company	12,347	12,198
	Commitments		
i)	Capital expenditure - contracted	275,160	1,296,862
ii)	Letters of credit for purchase of raw material and stores and spares	216,767	316,948
iii)	Company's share of investment in Foundation Power Company (Dharaki) Limited	1,500,000	-
iv)	Company's share of investment in Fauji Cement Company Limited	300,000	-
v)	Company's share of commitments in Pakistan Maroc Phosphore S.A. (a joint venture with OCP). The joint venture itself is committed to incur capital expenditure of MAD 838,637 thousand as at 30 September 2007 (2006: MAD 1,326,000 thousand) Equivalent Pak Rs 6,692,323 thousand (2006: Rs. 9,600,240 thousand).	1,673,081	2,400,060

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

16. PROPERTY, PLANT AND EQUIPMENT

	OWNED ASSETS											LEASED ASSETS	
	Leasehold land	Freehold land	Buildings on lease hold land	Plant and machinery	Furniture and fittings	Vehicles	Office and other equipment	Computer and ancillary equipment	Library books	Catalyst	Capital work in progress	Vehicles	Total
	(Rupees, 000)												
COST													
Balance as Jan 01, 2006	213,239	120,000	1,465,115	17,219,397	7,974	49,134	52,698	34,366	1,513	52,702	884,602	19,770	20,120,510
Additions during the year	111	-	2,537	6,701	360	28,257	2,558	5,028	177	14,768	1,297,827	-	1,358,324
Disposals	-	-	-	-	-	(6,725)	(71)	-	-	-	-	-	(6,796)
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	810,863	-	6,135	-	-	-	(382)	(810,863)	(6,135)	(382)
Balance as Dec 31, 2006	213,350	120,000	1,467,652	18,036,961	8,334	76,801	55,185	39,394	1,690	67,088	1,371,566	13,635	21,471,656
Balance as Jan 01, 2007	213,350	120,000	1,467,652	18,036,961	8,334	76,801	55,185	39,394	1,690	67,088	1,371,566	13,635	21,471,656
Additions during the year	-	-	12,860	202,404	558	23,479	3,067	8,782	357	40,668	2,458,553	-	2,750,728
Disposals	-	-	-	(155,410)	-	(11,886)	(391)	-	-	-	-	-	(167,687)
Adjustments	-	-	-	(61,581)	(2,675)	-	(966)	(1)	(58)	-	-	-	(65,281)
Transfers	-	-	(11,167)	2,355,433	11,167	2,817	(11,008)	-	-	-	(2,344,425)	(2,817)	-
Balance as Dec. 31, 2007	**213,350**	**120,000**	**1,469,345**	**20,377,807**	**17,384**	**91,211**	**45,887**	**48,175**	**1,989**	**107,756**	**1,485,694**	**10,818**	**23,989,416**
DEPRECIATION													
Balance as Jan 01, 2006	54,506	-	262,930	5,098,562	6,022	31,290	46,717	30,186	1,144	13,414	-	12,636	5,557,407
Additions during the year	4,639	-	44,030	901,848	652	13,549	1,930	5,392	305	15,066	-	2,727	990,138
Disposals	-	-	-	-	-	(5,786)	(60)	-	-	-	-	-	(5,846)
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	4,454	-	-	-	(382)	-	(4,454)	(382)
Balance as Dec 31, 2006	59,145	-	306,960	6,000,410	6,674	43,507	48,587	35,578	1,449	28,098	-	10,909	6,541,317
Balance as Jan 01, 2007	59,145	-	306,960	6,000,410	6,674	43,507	48,587	35,578	1,449	28,098	-	10,909	6,541,317
Additions during the year	4,639	-	44,129	953,174	6,774	14,740	3,380	6,121	328	20,540	-	2,163	1,055,988
Disposals	-	-	-	(52,127)	-	(10,076)	(313)	-	-	-	-	-	(62,516)
Adjustments	-	-	-	-	(2,613)	-	(966)	(1)	(58)	-	-	-	(3,638)
Transfers	-	-	(2,680)	5,965	2,680	2,254	(5,965)	-	-	-	-	(2,254)	-
Balance as Dec. 31, 2007	**63,784**	**-**	**348,409**	**6,907,422**	**13,515**	**50,425**	**44,723**	**41,698**	**1,719**	**48,638**	**-**	**10,818**	**7,531,151**
Written down value- 2006	154,205	120,000	1,160,692	12,036,551	1,660	33,294	6,598	3,816	241	38,990	1,371,566	2,726	14,930,339
Written down value- 2007	**149,566**	**120,000**	**1,120,936**	**13,470,385**	**3,869**	**40,786**	**1,164**	**6,477**	**270**	**59,118**	**1,485,694**	**-**	**16,458,265**
Rates of depreciation	**2 to 4%**	**-**	**3%**	**5%**	**10%**	**20%**	**15%**	**33%**	**30%**	**17 to 50%**	**-**	**20%**	

		2007	2006
		(Rupees '000)	
16.1	**CAPITAL WORK IN PROGRESS**		
	This is made up as follows:		
	Advances to suppliers	48,000	4,715
	Plant and machinery under construction	1,437,694	1,366,851
		1,485,694	1,371,566
16.2	Depreciation charge has been allocated as follows:		
	Cost of sales - note 28	1,051,381	986,363
	Administrative expenses - note 30	4,607	3,775
		1,055,988	990,138

		Cost	Book value	Sale proceeds
			(Rupees '000)	
16.3	Details of property, plant and equipment sold:			
	Plant and Machinery			
	By auction to outsider			
	Al- Noor Trading Company & Ch. Mohammad Arshad	155,410	103,283	13,327
	Vehicles			
	As per Company policy to executives			
	Col Muhammad Akhtar (Retd)	939	157	94
	Col Ahmed Nisar Sarwat (Retd)	939	126	94
	Lt. Col Muhammad Amir Mehdi (Retd)	939	267	335
	Lt. Col Muhammad Zulfiqar (Retd)	969	679	885
	Insurance claim	969	581	900
	Aggregate of items of property, plant and equipment with individual book value below Rs. 50,000	7,522	78	2,243
	2007	167,687	105,171	17,878
	2006	6,796	950	3,990

		2007	2006
		(Rupees '000)	
17.	**LONG TERM INVESTMENTS**		
	Investment in joint venture - equity method		
	Pakistan Maroc Phosphore S.A, Morocco - note 17.1	1,411,150	1,411,150
	Investment - available for sale - unquoted		
	Arabian Sea Country Club Limited (ASCCL) - note 17.3		
	300,000 ordinary shares of Rs 10 each	3,000	3,000
	Less: Impairment in value of investment	(3,000)	(3,000)
		-	-
		1,411,150	1,411,150

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

According to the shareholders' agreement, the Company cannot sell the shares of PMP outside Fauji Group for a period of five years effective September 14, 2004. Further, if any legal restriction is laid on dividends by Pakistan Maroc Phosphor S.A., the same will be converted to interest bearing loan. The Company has also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

		September 2007	September 2006
		(Rupees '000)	
17.2	The following items represent the Company's interest in the assets, liabilities, revenue and expenses of PMP :		
	Non - current assets	2,384,862	598,915
	Non - current liabilities	(622,912)	-
	Current assets	66,596	929,574
	Current liabilities	(224,455)	(141,153)
	Income	5,673	19,545
	Expenses	(7,391)	(18,682)

17.3 PMP project is due to start its commercial operations in the first quarter of the next year. Adjustment for the Company's share in profit/(loss) of PMP was not considered since the amount was immaterial and project is expected to show favourable outcome after its operations. Moreover, project is within its overall budget and also is expected to commence its operations as per schedule.

17.4 As per audited accounts of ASCCL for the year ended June 30, 2007, the break-up value of an ordinary share was Rs 9.36 (June 30, 2006: Rs 6.33).

		2007	2006
		(Rupees '000)	
18.	**LONG TERM DEPOSITS**		
	Security deposit	15,228	15,228
	Lease key money	1,623	2,045
		16,851	17,273
	Less: Current portion of long term deposits - note 23	1,623	-
		15,228	17,273
19.	**STORES AND SPARES**		
	Stores	22,943	31,258
	Spares	1,149,427	656,379
	Items in transit	128,183	113,974
		1,300,553	801,611
	Less: Provision for obsolescence	33,983	4,297
		1,266,570	797,314
20.	**STOCK IN TRADE**		
	Packing materials	31,152	13,936
	Raw materials	289,809	206,424
	Raw materials in transit	-	336,167
	Work in process	13,472	4,801
	Finished goods (include imported goods of Rs 1,246 thousand 2006: Rs 139,885 thousand)	253,513	239,207
		587,946	800,535
21.	**TRADE DEBTS**		
	Considered good	243,269	230,874
	Due from Fauji Foundation, an associated undertaking - unsecured, considered good	482	398
		243,751	231,272

	2007	2006
	(Rupees '000)	
22. ADVANCES		
Advances to:		
- Executives, unsecured considered good	2,982	795
- Other employees, unsecured considered good	3,747	4,935
Advances to suppliers and contractors		
- Considered good	72,790	55,430
- Considered doubtful	45	45
	72,835	55,475
Provision for doubtful advances	(45)	(45)
	72,790	55,430
	79,519	61,160
23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Current portion of long term deposits - note 18	1,623	-
Security deposits	4,582	1,387
Prepayments	2,262	3,671
	8,467	5,058
24. OTHER RECEIVABLES		
Due from the holding company- unsecured, considered good - note 24.1	67,540	375,022
Other receivables		
- Considered good (net)- note 24.2	750,752	971,845
- Considered doubtful	53,482	53,482
	804,234	1,025,327
Less: Provision for doubtful receivables	53,482	53,482
	750,752	971,845
	818,292	1,346,867

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

	2007	2006
24.2 This includes the following:	(Rupees '000)	
- Unsecured receivable from Fauji Foundation (an associated undertaking)	16	867
- Receivable from GOP against subsidy on DAP (refer note 28.2 for details)	729,181	894,283
- Receivable from GOP against compensation of prior losses net of agreed GOP loan repayment of Rs 648,201 thousand	-	51,800

	2007	2006
	(Rupees '000)	
25. SHORT TERM INVESTMENTS		
Loans and receivables		
Term deposits with banks and financial institutions	2,150,000	-
Investments at fair value through profit or loss		
Fixed income / money market funds - note 25.1	1,655,755	500,000
Surplus on remeasurement	88,907	2,387
	1,744,662	502,387
	3,894,662	502,387

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

	2007	2006
	(Rupees '000)	
26. BANK BALANCES		
Deposit accounts - note 26.1	3,499,683	7,047,562
Current accounts	300,777	188,187
Cash in hand	109	-
	3,800,569	7,235,749

26.1 This includes Rs 2,212,625 thousand (2006: Rs 2,327,529 thousand) which are under pledge with commercial banks against letters of credit and for short term running finances. In addition Rs 163,655 thousand (2006: Rs 115,309 thousand) are held under lien by the commercial banks against bank guarantees issued on behalf of the Company.

	2007	2006
	(Rupees '000)	
27. SALES	13,167,135	15,777,640
Less: Sales tax	716,918	921,803
Trade discounts	190,443	125,724
Commission to the holding company - note 27.1	16,886	22,825
	924,247	1,070,352
	12,242,888	14,707,288

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

	2007	2006
	(Rupees '000)	
28. COST OF SALES		
Raw materials consumed - note 28.1	6,526,801	7,098,429
Packing materials consumed	256,652	304,025
Fuel and power	1,100,224	1,230,819
Chemicals and supplies	83,729	72,643
Salaries, wages and benefits - note 28.2	434,734	332,360
Rent, rates and taxes	22,575	21,577
Insurance	45,252	47,909
Travel and conveyance	33,839	30,969
Repairs and maintenance	605,995	257,294
Communication, establishment and other expenses	30,323	46,895
Depreciation - note 16.2	1,051,381	986,363
Provision for inventory obsolescence	29,686	-
Opening stock - work in process	4,801	1,504
Closing stock - work in process	(13,472)	(4,801)
Subsidy on DAP fertilizer from Government of Pakistan - note 28.3	(2,797,017)	(1,322,110)
Cost of goods manufactured	7,415,503	9,103,876
Opening stock - own manufactured fertilizers	99,322	398,724
Closing stock - own manufactured fertilizers	(252,267)	(99,322)
Cost of sales - own manufactured fertilizers	7,262,558	9,403,278
Opening stock - purchased fertilizers	139,885	3,215
Purchase of fertilizers	19,113	756,436
Closing stock - purchased fertilizers	(1,246)	(139,885)
Cost of sales - purchased fertilizers	157,752	619,766
	7,420,310	10,023,044

28.1 As per fertilizer policy, 1989, rate of feed gas being utilized by the Company has been fixed for a period of 10 years. This period will expire at the end of the year 2008.

28.2 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs 12,165 thousand, Rs 10,689 thousand and Rs 24,598 thousand respectively. (2006: Rs 10,084 thousand, Rs 9,694 thousand and Rs 16,310 thousand respectively).

28.3 This represents amount of subsidy from GOP on production of DAP fertilizer as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan. Currently the amount of DAP subsidy is Rs 470 per bag which is increased from Rs 250 per bag when initially announced by GOP in September 2006.

	2007	2006
	(Rupees '000)	
29. DISTRIBUTION COSTS		
Product transportation	829,047	1,169,597
Expenses charged by the holding company - note 29.1		
Salaries, wages and benefits	149,319	156,085
Rent, rates and taxes	19,438	20,462
Technical services	1,515	1,733
Travel and conveyance	27,951	29,176
Sales promotion and advertising	8,581	8,916
Communication, establishment and other expenses	12,808	15,106
Warehousing expenses	15,022	14,033
Depreciation	4,948	5,293
	239,582	250,804
	1,068,629	1,420,401

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

	2007	2006
	(Rupees '000)	
30. ADMINISTRATIVE EXPENSES		
Salaries, wages and benefits - note 30.1	88,232	70,195
Travel and conveyance	12,143	6,097
Utilities	1,658	1,435
Printing and stationery	2,596	2,308
Repairs and maintenance	2,870	1,122
Communication, advertisement and other expenses	8,652	9,297
Rent, rates and taxes	2,594	2,399
Listing fee	215	212
Donations - note 30.2	600	500
Legal and professional	2,483	1,932
Depreciation - note 16.2	4,607	3,775
Miscellaneous	4,719	3,871
	131,369	103,143

30.1 This includes charge on account of employees' retirement benefits in respect of gratuity, provident fund and compensated absences amounting to Rs 1,729 thousand, Rs 2,150 thousand and Rs 4,112 thousand respectively (2006: Rs. 1,057 thousand, Rs 1,782 thousand and Rs 3,875 thousand respectively).

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

	2007	2006
	(Rupees '000)	
31. FINANCE COST		
Mark-up on long term financing		
- Banking companies and financial institutions	131,465	159,912
- PKIC, an associated company	16,189	19,692
	147,654	179,604
Finance charge on leased property, plant and equipment	206	461
Mark-up on long term murabaha	13,697	16,661
Mark-up on short term running finances	429,735	204,817
Interest on Workers' Profit Participation Fund	246	180
Bank charges	2,554	1,891
Exchange loss	36,421	9,256
	630,513	412,870
32. OTHER OPERATING EXPENSES		
Workers' Profit Participation Fund - note 11.1	177,786	164,973
Workers' Welfare Fund	77,998	77,561
Loss on sale of property, plant and equipment	87,293	-
Auditor's remuneration		
Fees - annual audit	440	400
Fees - half yearly review	100	100
Other certification & services	146	-
Out of pocket expenses	50	40
	736	540
	343,813	243,074

33. COMPENSATION RECEIVED FROM GOVERNMENT OF PAKISTAN (GOP)

GOP had committed to pay Rs 5 billion over a period of seven years in lieu of non - implementation of Fertilizer Policy, 1989. On this account, amounts aggregating Rs 3.8 billion have been received from GOP up to December 31, 2007. GOP compensation of Rs 600,000 thousand which was receivable in June 2007 is yet to be received. However, this has been accrued in the books of the Company subject to netting off the agreed GOP loan repayment of Rs 648,201 thousand for the year 2007. Balance of Rs 600 thousand will be received in one installment during the year 2008, subject to netting off the agreed GOP loan repayment of Rs. 648,201 thousand to be made by the Company.

	2007	2006
	(Rupees '000)	
34. OTHER INCOME		
Income from financial assets		
Profit on bank balances and term deposits	519,152	518,198
Surplus on remeasurement of investments at fair value through profit or loss	88,907	2,387
Gain on sale of investments	5,691	-
	613,750	520,585
Income from assets other than financial assets		
Scrap sales and miscellaneous receipts	37,925	28,533
Gain on sale of property, plant and equipment	-	3,040
	37,925	31,573
	651,675	552,158
35. TAXATION		
Deferred	1,359,896	1,312,056

	2007		2006	
	(Rupees '000)	%	(Rupees '000)	%
35.1 Reconciliation of tax charge for the year:				
Profit before tax	3,899,929		3,756,914	
Tax on profit	1,364,975	35.00	1,314,920	35.00
Tax effect of temporary differences	23,076	0.017	(7,583)	(0.20)
Tax effect of permanent differences	(28,155)	(0.021)	4,719	0.13
	1,359,896	34.96	1,312,056	34.93

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

	2007	2006
36. BASIC AND DILUTED EARNINGS PER SHARE		
Profit after taxation (Rupees '000)	2,540,033	2,444,858
Weighted average number of ordinary shares in issue during the year (thousands)	934,110	934,110
Basic and diluted earnings per share (Rupees)	2.72	2.62

There is no dilutive effect on the basic earnings per share of the Company for the year 2007.

	2007	2006
	(Rupees '000)	
37. CASH GENERATED FROM OPERATIONS		
Profit before taxation	3,899,929	3,756,914
Adjustments for:		
Provision for gratuity	13,894	11,141
Provision for Workers' Profit Participation Fund	177,786	164,973
Adjustment to property, plant and equipment	62	-
Depreciation	1,055,988	990,138
Finance cost	630,513	412,370
Compensation from GOP	(600,000)	(700,000)
Provision for inventory obsolescence	29,686	-
Surplus on remeasurement of investments to fair value through profit or loss	(88,907)	(2,387)
Gain on sale of investments	(5,691)	-
Profit on bank balances	(519,152)	(518,198)
Loss / (gain) on sale of property, plant and equipment	87,293	(3,040)
Operating profit before working capital changes	4,681,401	4,111,911
Changes in working capital		
Stores and spares	(441,659)	(220,232)
Stock in trade	212,589	222,422
Trade debts	(12,479)	(116,191)
Advances	(18,359)	(23,344)
Trade deposits and short term prepayments	(1,786)	(1,752)
Other receivables	476,775	(1,010,601)
Trade and other payables	(369,464)	(97,393)
Sales tax	(64,326)	23,805
	(218,709)	(1,223,286)
	4,462,692	2,888,625

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2007		2006	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees '000)			
Managerial remuneration	3,975	153,560	3,719	116,105
Bonus	-	43,201	-	23,071
Contributory Provident Fund	183	7,272	174	5,523
Others	1,983	53,147	1,638	33,039
	6,141	257,180	5,531	177,738
No. of person (s)	1	90	1	74

The above are provided medical facilities. Chief Executive and certain executives are also provided with the Company's maintained vehicles and household equipment in accordance with the Company's policy. Gratuity is payable to the chief executive in accordance with the terms of employment and for executives on the basis of actuarial valuations. Leave encashment was paid to executives amounting to Rs 550 thousand (2006: Rs 362 thousand) on separation in accordance with the Company's policy.

In addition, the other directors of the Company are paid meeting fee aggregating Rs 36 thousand (2006: Rs 36 thousand). No remuneration was paid to directors of the Company; (2006: Nil). The number of directors of the Company was 9 (2006: 9).

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

39.1 Interest rate risk exposure

The Company's exposure to interest rate risk including contractual repricing or maturity dates, whichever is earlier, and the effective rates on its financial assets and liabilities as of December 31, 2007 are as follows:

	Interest/mark-up bearing							Non-interest/mark-up bearing	2007
		Maturity							
	Effective interest rates %	In one year or less	In more than one year but not more than two years	In more than two years but not more than three years	In more than three years but not more than four years	In more than four years but not more than five years	Total	Total	(Rupees '000)
Financial assets									
Deposits		-	-	-	-	-	-	21,433	21,433
Trade debts		-	-	-	-	-	-	243,751	243,751
Advances		-	-	-	-	-	-	6,729	6,729
Interest accrued		-	-	-	-	-	-	96,526	96,526
Other receivables		-	-	-	-	-	-	818,292	818,292
Short term investments	10.31	2,150,000	-	-	-	-	2,150,000	1,744,662	3,894,662
Bank balances	10.81	3,499,683	-	-	-	-	3,499,683	300,886	3,800,569
		5,649,683	-	-	-	-	5,649,683	3,232,279	8,881,962
Financial liabilities									
Recognised									
Long term financing	9.15	416,944	416,944	416,944	208,472	-	1,459,304	-	1,459,304
Liabilities against assets subject to									
finance lease	8.00	2,651	-	-	-	-	2,651	-	2,651
Long term murabaha	9.15	38,679	38,679	38,679	19,336	-	135,373	-	135,373
Long term loan		-	-	-	-	-	-	6,482,007	6,482,007
Short term running finances	9.70	5,875,341	-	-	-	-	5,875,341	-	5,875,341
Trade and other payables	18.75	17,786	-	-	-	-	17,786	2,093,109	2,110,895
Mark - up accrued		-	-	-	-	-	-	123,887	123,887
		6,351,401	455,623	455,623	227,808	-	7,490,455	8,699,003	16,189,458
Unrecognised									
Contingencies		-	-	-	-	-	-	210,972	210,972
Commitments		-	-	-	-	-	-	3,965,008	3,965,008
		-	-	-	-	-	-	4,175,980	4,175,980
		6,351,401	455,623	455,623	227,808	-	7,490,455	12,874,983	20,365,438

	Interest/mark-up bearing							Non-interest/mark-up bearing	2006
		Maturity							
	Effective interest rates %	In one year or less	In more than one year but not more than two years	In more than two years but not more than three years	In more than three years but not more than four years	In more than four years but not more than five years	Total	Total	(Rupees '000)
Financial assets									
Deposits		-	-	-	-	-	-	18,660	18,660
Trade debts		-	-	-	-	-	-	231,272	231,272
Advances		-	-	-	-	-	-	5,730	5,730
Interest accrued		-	-	-	-	-	-	91,218	91,218
Other receivables		-	-	-	-	-	-	1,346,867	1,346,867
Short term investments		-	-	-	-	-	-	502,387	502,387
Bank balances	11.28	7 047 562	-	-	-	-	7,047,562	188,187	7,235,749
		7,047,562	-	-	-	-	7,047,562	2,384,321	9,431,883
Financial liabilities									
Recognised									
Long term financing	8.84	416,944	416,944	416,944	416,944	208,472	1,876,248	-	1,876,248
Liabilities against assets subject to									
finance lease	8.00	2,586	3,310	-	-	-	5,896	-	5,896
Long term murabaha	8.84	38,679	38,679	38,679	38,679	19,336	174,052	-	174,052
Long term loan		-	-	-	-	-	-	7,130,208	7,130,208
Short term running finances	9.81	4,531,836	-	-	-	-	4,531,836	-	4,531,836
Trade and other payables	18.75	14,973	-	-	-	-	14,973	2,185,577	2,200,550
Mark - up accrued		-	-	-	-	-	-	104,952	104,952
		5,005,018	458,933	455,623	455,623	227,808	6,603,005	9,420,737	16,023,742
Unrecognised									
Contingencies		-	-	-	-	-	-	211,044	211,044
Commitments		-	-	-	-	-	-	4,013,870	4,013,870
		-	-	-	-	-	-	4,224,914	4,224,914
		5,005,018	458,933	455,623	455,623	227,808	6,603,005	13,645,651	20,248,656

39.2 Risk management

39.2.1 Concentration of credit risk

The Company believes that it is not exposed to major concentration of credit risk. To manage exposure to credit risk, the Company applies credit limits to its customers besides obtaining guarantees and by dealing with variety of major banks and financial institutions. The Company's major receivable are from Government of Pakistan.

39.2.2 Foreign exchange risk management

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

39.2.3 Liquidity risk management

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

39.2.4 Interest rate risk management

Financial assets and financial liabilities include balances of Rs 5,650 million (2006: Rs 7,048 million) and Rs 7,472 million (2006: Rs 6,588 million) respectively, which are subject to interest rate risk. The Company has long term Rupee based loans at variable interest rates. Applicable interest rates for financial assets and financial liabilities have been indicated in respective notes. Interest risk on short term borrowings is partly managed through profit on placements.

39.2.5 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

39.3 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values, except for the loans and receivables which are stated at amortised cost.

40. Related party transactions

The Company is a subsidiary of Fauji Fertilizer Company Limited (FFC) with 50.88 % holding (2006: 50.88%). FFC is sponsored by Fauji Foundation (FF) which holds 17.29 % shares (2006 :17.29 %) in the Company. Therefore all subsidiaries and associated undertakings of FF and FFC are related parties of the Company. In addition, Pak Kuwait Investment Company (Pvt.) Limited (PKIC), and Pakistan Maroc Phosphore S.A, Morocco, are also related parties of the Company due to common directorship. The related parties also comprise of directors, key management personnel, entities over which the directors are able to exercise influence, major suppliers and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. The remuneration of Chief Executive, directors and executives is disclosed in note 38 to the financial statements.

	2007	2006
	(Rupees '000)	
Transactions with the holding company		
Services and material acquired	252,298	256,249
Services and material provided	580	3,044
Commission charged to the Company	16,886	22,825
Dividend paid	1,205,904	790,075
Balance receivable at the year end - unsecured	67,540	375,022
Transactions with associated undertakings due to common directorship		
Goods sold	497	398
Rent charged to the Company	774	743
Receipt on account of payment made on behalf of associated undertaking	-	338,438
Dividend paid	418,222	273,556
Repayment of principal portion of long term finance	45,714	45,714
Financial charges	16,189	19,692
Balance receivable at the year end - unsecured	498	1,265
Transactions with joint venture company		
Expenses incurred on behalf of joint venture company	10,397	14,877
Advance against issue of shares	-	676,875
Other related parties		
Purchase of raw materials	5,246,727	5,830,625
Contribution to Provident Fund	12,839	11,476
Payment to Gratuity Fund	13,894	11,141
Payment to Workers' Profit Participation Fund	175,219	159,386
Balance payable at the year end - secured	544,897	1,126,636
Balance payable at the year end - unsecured	17,786	14,973

		2007	2006
41.	**GENERAL**	(Tonnes)	
41.1	**Production capacity**		
	Design capacity		
	Urea	551,100	551,100
	DAP	445,500	445,500
	Actual production		
	Urea	487,720	601,044
	DAP	356,706	450,400

41.2 Actual production of Urea and DAP is less than designed capacity due to implementation of Ammonia BMR expansion project in first half of 2007 and DAP Revamp project in Dec 2007.

41.3 The Board of Directors in their meeting held on January 24, 2008 have proposed a final dividend of Rs. 1 per ordinary share.

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

41.5 These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on January 24, 2008.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

Pattern of Shareholding
As at December 31, 2007

Pattern of shareholding	Number of shares
1. Associated Companies, Undertaking and related parties	
• Fauji Fertilizer Company Ltd	475,232,996
• Fauji Foundation	161,501,286
• Pakistan Kuwait Investment Company (Pvt) Ltd	2,762,345
2. NIT and ICP	
National Bank of Pakistan Trustee Deptt.	801,000
3. Directors, CEO and their spouse and minor children	
Lt Gen Syed Arif Hasan, HI(M), (Retd)	1
Lt Gen Muhammad Akram, HI(M), (Retd)	1
Lt Gen Munir Hafiez, HI(M), (Retd)	1
Mr Qaiser Javed	1
Mr Istiqbal Mehdi	1
Brig Arif Rasul Qureshi, SI(M), (Retd)	1
Brig Rahat Khan SI(M), (Retd)	Nil
Dr Nadeem Inayat	Nil
Brig Aslam Paunwar Khan, SI(M), (Retd)	1
4. Company Executives	98,749
5. Public Sector companies and corporations	Nil
6. Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	138,106,499
7. Shareholders holding ten percent or more voting interest	
• Fauji Fertilizer Company Ltd	475,232,996
• Fauji Foundation	161,501,286

S No	Categories of shareholders	Number of shareholders	Number of shares held	Percentage %
1	**Individual**	12184	91,552,642	**9.80**
2	**Investment Companies**	17	8,938,697	**0.96**
3	**Insurance Companies**	16	7,677,560	**0.82**
4	**Joint Stock Companies**	183	525,020,469	**56.21**
5	**Financial Institutions**	63	57,610,426	**6.17**
6	**Modarabas**	12	318,216	**0.03**
7	**Foreign Companies**	11	316,000	**0.03**
8	**Co-op Socities**	2	12,304	**0.00**
9	**Leasing Companies**	4	454,000	**0.05**
10	**Charitable Trusts**	10	162,111,350	**17.35**
11	**Mutual Funds**	58	63,107,600	**6.76**
12	**Others**	43	16,990,736	**1.82**
	Total	**12603**	**934,110,000**	**100.00**

Pattern of Shareholding

As at December 31, 2007

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES
	FROM	TO	
708	1	100	39,880
3,744	101	500	1,697,768
2,567	501	1,000	2,052,280
3077	1,001	5,000	8,687,158
983	5,001	10,000	7,770,735
349	10,001	15,000	4,465,113
229	15,001	20,000	4,203,741
152	20,001	25,000	3,565,027
93	25,001	30,000	2,644,992
58	30,001	35,000	1,907,351
67	35,001	40,000	2,595,538
28	40,001	45,000	1,185,831
74	45,001	50,000	3,638,444
32	50,001	55,000	1,687,801
29	55,001	60,000	1,688,051
19	60,001	65,000	1,197,399
18	65,001	70,000	1,233,642
15	70,001	75,000	1,096,387
15	75,001	80,000	1,183,895
10	80,001	85,000	832,768
7	85,001	90,000	616,806
8	90,001	95,000	741,718
35	95,001	100,000	3,490,704

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES
	FROM	TO	
14	100,001	105,000	1,438,419
7	105,001	110,000	767,148
6	110,001	115,000	679,336
10	115,001	120,000	1,178,360
7	120,001	125,000	869,651
7	125,001	130,000	892,347
5	130,001	135,000	668,064
2	135,001	140,000	278,000
4	140,001	145,000	574,000
13	145,001	150,000	1,940,600
1	150,001	155,000	154,500
1	155,001	160,000	158,000
2	165,001	170,000	334,216
1	170,001	175,000	175,000
2	175,001	180,000	356,000
4	180,001	185,000	733,600
3	185,001	190,000	564,352
3	190,001	195,000	576,211
13	195,001	200,000	2,598,500
3	200,001	205,000	605,999
2	205,001	210,000	418,000
2	210,001	215,000	426,236
1	215,001	220,000	215,500
3	220,001	225,000	670,500

Pattern of Shareholding
As at December 31, 2007

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES
	FROM	TO	
1	230,001	235,000	231,500
5	235,001	240,000	1,182,000
2	240,001	245,000	485,700
5	245,001	250,000	1,247,500
3	250,001	255,000	761,760
1	260,001	265,000	265,000
3	265,001	270,000	801,578
1	270,001	275,000	273,500
6	295,001	300,000	1,799,000
1	300,001	305,000	305,000
1	305,001	310,000	310,000
1	320,001	325,000	321,500
1	325,001	330,000	329,500
1	330,001	335,000	330,380
3	335,001	340,000	1,013,544
2	345,001	350,000	700,000
1	350,001	355,000	354,000
1	365,001	370,000	370,000
1	370,001	375,000	375,000
1	375,001	380,000	379,500
1	380,001	385,000	382,249
1	385,001	390,000	388,500
1	390,001	395,000	392,000
6	395,001	400,000	2,400,000

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES
	FROM	TO	
3	400,001	405,000	1,205,580
2	405,001	410,000	814,000
2	430,001	435,000	865,000
1	400,001	445,000	442,500
1	445,001	450,000	450,000
1	475,001	480,000	480,000
1	490,001	495,000	494,500
8	495,001	500,000	4,000,000
2	520,001	525,000	1,045,500
1	545,001	550,000	550,000
1	555,001	560,000	559,500
3	595,001	600,000	1,799,000
1	615,001	620,000	616,000
1	625,001	630,000	630,000
1	630,001	635,000	635,000
1	645,001	650,000	650,000
2	650,001	655,000	1,305,500
2	660,001	665,000	1,325,000
1	675,001	680,000	680,000
1	680,001	685,000	684,379
6	695,001	700,000	4,192,500
1	700,001	705,000	704,000
1	705,001	710,000	709,250
2	715,001	720,000	1,438,303

Pattern of Shareholding
As at December 31, 2007

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES
	FROM	TO	
1	720,001	725,000	724,250
1	775,001	780,000	777,000
1	790,001	795,000	792,590
3	795,001	800,000	2,400,000
1	800,001	805,000	800,100
2	805,001	810,000	1,616,500
1	855,001	860,000	860,000
2	860,001	865,000	1,727,500
1	870,001	875,000	871,000
1	880,001	885,000	883,000
2	885,001	900,000	1,800,000
1	905,001	910,000	910,000
2	935,001	940,000	1,876,059
2	975,001	980,000	1,959,500
2	995,001	1,000,000	2,000,000
2	1,010,001	1,015,000	2,027,000
1	1,050,001	1,055,000	1,054,000
1	1,060,001	1,065,000	1,062,000
1	1,065,001	1,070,000	1,070,000
1	1,080,001	1,085,000	1,085,000
1	1,095,001	1,100,000	1,100,000
1	1,100,001	1,105,000	1,101,136
1	1,120,001	1,125,000	1,122,500
1	1,175,001	1,180,000	1,179,500

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES
	FROM	TO	
1	1,195,001	1,200,000	1,200,000
1	1,240,001	1,245,000	1,241,000
1	1,295,001	1,300,000	1,298,600
1	1,300,001	1,305,000	1,301,100
2	1,395,001	1,400,000	2,796,000
1	1,400,001	1,405,000	1,402,000
1	1,405,001	1,410,000	1,406,000
1	1,445,001	1,450,000	1,450,000
2	1,495,001	1,500,000	2,999,500
1	1,500,001	1,505,000	1,500,500
2	1,545,001	1,550,000	3,096,500
1	1,680,001	1,685,000	1,681,500
1	1,705,001	1,710,000	1,710,000
1	2,035,001	2,040,000	2,036,500
1	2,055,001	2,060,000	2,057,000
1	2,075,001	2,080,000	2,076,500
1	2,190,001	2,195,000	2,192,000
1	2,220,001	2,225,000	2,223,500
1	2,295,001	2,300,000	2,300,000
1	2,495,001	2,500,000	2,500,000
1	2,565,001	2,570,000	2,567,500
1	2,610,001	2,615,000	2,611,500
1	2,760,001	2,765,000	2,762,345
1	3,100,001	3,105,000	3,103,200

Pattern of Shareholding
As at December 31, 2007

NUMBER OF SHAREHOLDERS	SHAREHOLDING		TOTAL NUMBER OF SHARES
	FROM	TO	
1	3,540,001	3,545,000	3,540,827
1	3,585,001	3,590,000	3,589,674
1	3,605,001	3,610,000	3,610,000
1	4,375,001	4,380,000	4,377,500
1	5,525,001	5,530,000	5,527,700
1	6,170,001	6,175,000	6,175,000
1	6,385,001	6,390,000	6,386,000
1	6,600,001	6,605,000	6,604,500
1	6,775,001	6,780,000	6,775,200
1	9,185,001	9,190,000	9,187,500
1	13,210,001	13,215,000	13,210,247
1	30,910,001	30,915,000	30,910,399
1	161,500,001	161,505,000	161,501,286
1	475,230,001	475,235,000	475,232,996
12603			**934,110,000**

FORM OF PROXY
14th Annual General Meeting

I/We ____

of ____

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

Ordinary Shares and hereby appoint ____

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 14th Annual General Meeting of the Company to be held on February 27, 2008 and/or any adjournment thereof.

In witness thereof I/We have signed and set my/our seal thereon this day of ______________________________ 2008 in the presence of ______________________

Folio No/ CDC Account 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, 73-Harley Street, Rawalpindi not less than 48 hours before the time of holding of the meeting.

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

Fold Here

Affix Correct Postage

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

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Fauji Fertilizer Bin Qasim Limited

73 - Harley Street, Rawalpindi - Pakistan
Phone: +92 51 9272196-97

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