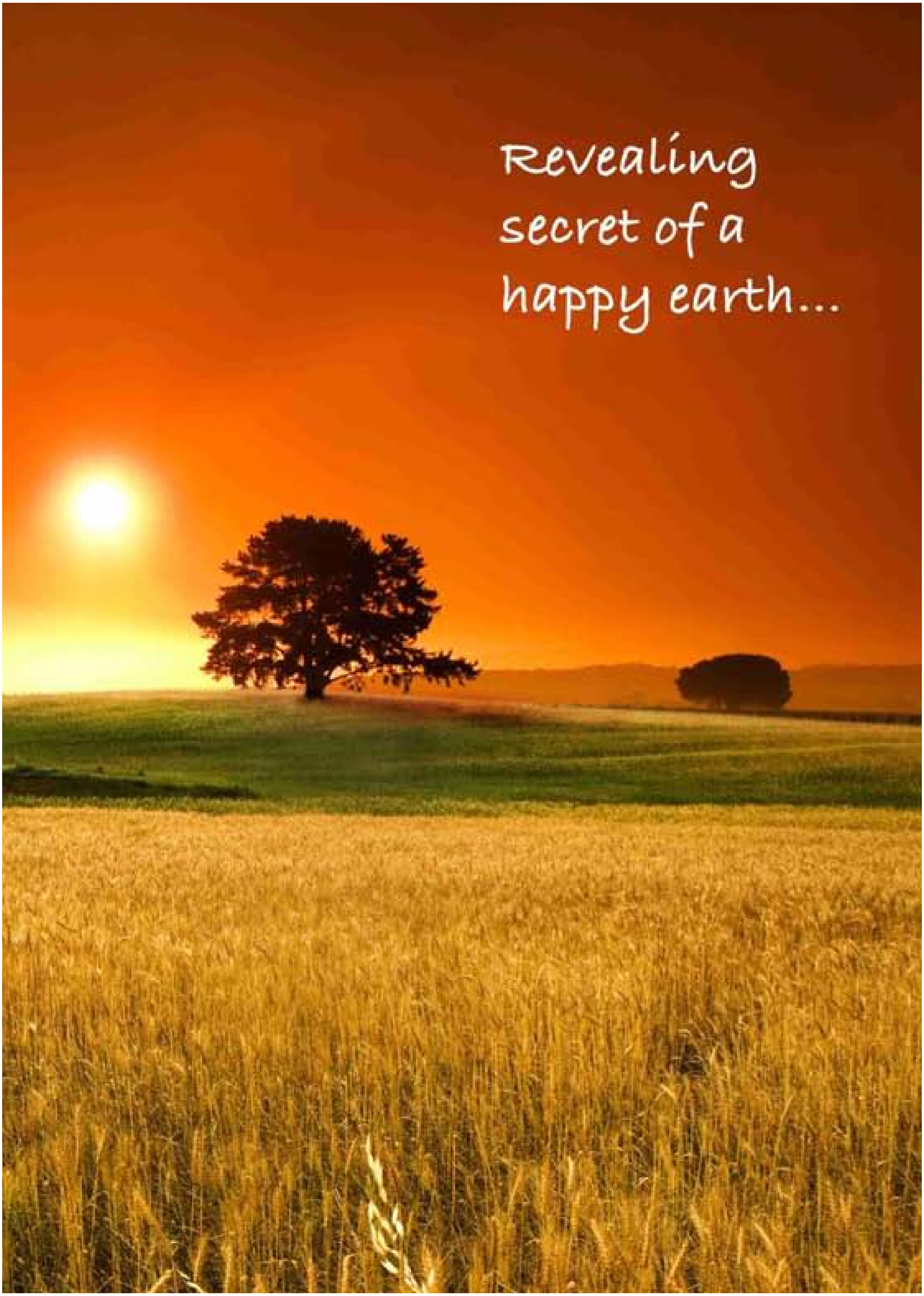


FAUJI FERTILIZER COMPANY LIMITED

Nothing on earth is so well suited to make the sad merry than green. With every green bough come the singing birds, their songs greet the sun and makes the grains sprung up in fun. Each grain of food becomes harbinger of the season of happiness in the courtyard of our farmer, and hence the chain reaction of happiness starts to take the world in its spell.

It is here that our story begins. We are the secret potion that helps seeds discover the world and develop their virtues as plants for the world to take joy and earth to laugh more often. Today we celebrate this secret relationship with the earth and its people.

FFC is an experience at its best with several offshoots of happiness and dreams attached. Which is why we try and expand as often as possible so as to keep happiness moving, to listen to unspoken words, to hear unsaid needs, and to recognize secret dreams that are so well attached with the financial strength of everyone associated with us. We go extra miles to deliver happiness all around that is synonymous with green. And it is here, at the highest pitch of happiness that our world is flung into a kaleidoscope of new possibilities.

We have accelerated our efforts after our record achievement this year to deliver better value to our stakeholders, customers, employees and society. We are here to improve lives and to strengthen our ability to efficiently serve customers all around. We are finding superior ways to do business and are operating in a more sustainable manner. We understand the way forward, and we will continue driving ahead with an unwavering focus on positioning FFC for maximum financial performance -now and forever for the benefit of all, for the happiness of all.

Contents

Board of Directors

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

Lt Gen Munir Hafiez, HI(M) (Retired)
Chief Executive and Managing Director

Dr Haldor Topsoe

Mr Qaiser Javed

Mr Tariq Iqbal Khan

Dr Nadeem Inayat

Mr Istaqbal Mehdi

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

Maj Gen Muhammad Tahir, HI(M) (Retired)

Brig Rahat Khan, SI(M) (Retired)

Mr Shahid Aziz Siddiqui

Mr Shahid Anwar Khan

Mr Amir Tariq Zaman Khan

Chief Financial Officer

Syed Shahid Hussain
Tel: No. 92-51-9272339
Fax: 92-51-9272337
E-mail: shahid_hussain@ffc.com.pk

Company Secretary

Brig Khalid Kibriya (Retired)
Tel: No. 92-51-9272327
Fax: 92-51-9272519
E-mail: ffcrwp@ffc.com.pk

Registered Office

93-Harley Street, Rawalpindi Cantt
Website: www.ffc.com.pk
Tel No. 92-51-9272307-14
Fax No. 92-51-9272316
E-mail: ffcrwp@ffc.com.pk

Plantsites

Goth Machhi, Sadikabad (Distt: Rahim Yar Khan)
Tel: 92-68-5786420-9
Fax: 92-68-5786401

Mirpur Mathelo (Distt: Ghotki)
Tel: 92-723-651021-24
Fax: 92-723-651102

Marketing Division

Lahore Trade Centre,
11 Shahrah-e-Aiwan-e-Tijarat, Lahore
Tel: 92-42-6369137-40
Fax: 92-42-6366324

Karachi Office

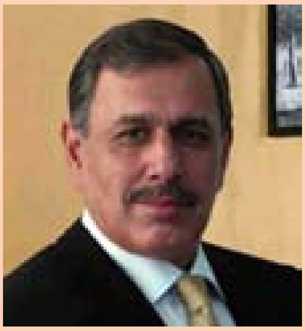
B-35, KDA Scheme No. 1 Karachi
Tel: 92-21-4390115-16
Fax: 92-21-4390117 & 4390122

Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Shares Registrar

THK Associates (Pvt) Limited
Ground Floor, State Life Building - 3
Dr. Ziauddin Ahmed Road,
Karachi – 75530
Tel: 92-21-111-000-322
Fax: 92-21-5655595



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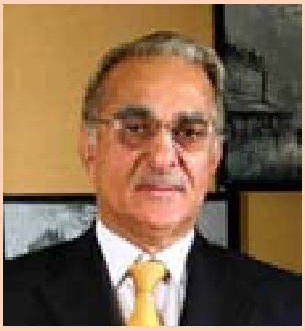
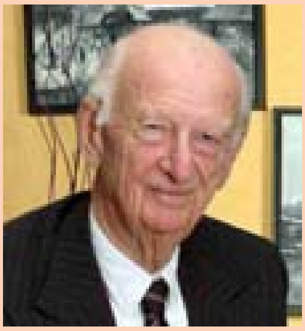
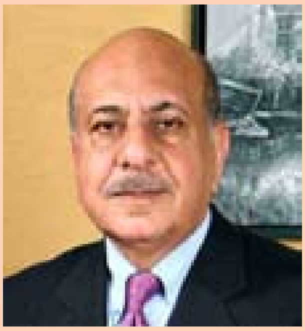
Chairman



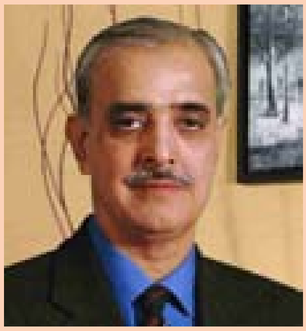
Lt Gen Munir Hafiez, HI(M) (Retired)
Chief Executive and Managing Director



Dr Haldor Topsoe

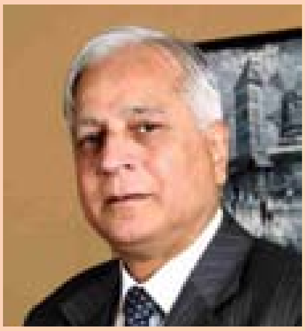


Mr Qaiser Javed



Mr Tariq Iqbal Khan

Dr Nadeem Inayat



Mr Istaqbal Mehdi

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

Maj Gen Muhammad Tahir, HI(M) (Retired)

Brig Rahat Khan, SI(M) (Retired)

Mr Shahid Aziz Siddiqui

Mr Shahid Anwar Khan

Mr Amir Tariq Zaman Khan

Syed Shahid Hussain
Chief Financial Officer

Brig Khalid Kibriya (Retired)
Company Secretary

BOD Committees

Audit Committee

Chairman
Mr Tariq Iqbal Khan

Members
Mr Qaiser Javed
Maj Gen Muhammad Tahir HI(M) (Retired)
Dr Nadeem Inayat
Mr Amir Tariq Zaman Khan

Human Resources Committee

Chairman
Brig Arif Rasul Qureshi SI(M) (Retired)

Members
Mr Qaiser Javed
Dr Nadeem Inayat

System & Technology Committee

Chairman
Brig Rahat Khan SI(M) (Retired)

Members
Dr Nadeem Inayat
Brig Arif Rasul Qureshi SI(M) (Retired)

Projects Diversification Committee

Chairman
Mr Tariq Iqbal Khan

Members
Mr Qaiser Javed
Dr Nadeem Inayat
Brig Rahat Khan SI(M) (Retired)

Management Committees

Business Development Committee

Chairman
Lt Gen Munir Hafiez HI(M) (Retired)
Chief Executive & Managing Director

Members
Mr Abid Maqbool
General Manager (Business Development)
Mr Asad Sultan Chaudhry
General Manager Marketing
Mr Zafar Hadi
General Manager (Business Development)
Brig Khalid Kibriya (Retired)
Company Secretary

Executive Committee

Chairman
Lt Gen Munir Hafiez HI(M) (Retired)
Chief Executive & Managing Director

Members
Mr Asad Sultan Chaudhry
General Manager Marketing
Syed Iqtidar Saeed
General Manager (Technology & Engineering)
Syed Shahid Hussain
Chief Financial Officer
Mr Tahir Javed
General Manager (Manufacturing & Operations)
Mr Saulat Hussain
General Manager, Human Resource
Mr Naeem ur Rehman
General Manager Plant, Mirpur Mathelo
Brig Khalid Kibriya (Retired)
Company Secretary

Directors' Attendance at Meeting

Directors	*Board of Directors*	*Audit Committee*	*Human Resources Committee*	*System & Technology Committee*	*Projects Diversification Committee*
Lt Gen Syed Arif Hasan, HI(M) (Retired) *	5	-	-	-	-
Lt Gen Munir Hafiez, HI(M) (Retired)	5	-	-	-	-
Dr Haldor Topsoe	-	-	-	-	-
Mr. Qaiser Javed	4	4	6	-	1
Mr. Tariq Iqbal Khan	3	4	-	-	-
Mr. Istaqbal Mehdi	3	-	-	-	-
Mr. Khawar Saeed *	1	1	-	-	-
Dr. Nadeem Inayat	5	2	5	1	1
Brig Arif Rasul Qureshi (Retired)	5	-	7	1	-
Maj Gen Muhammad Tahir (Retired)	4	3	-	-	-
Brig Rahat Khan (Retired)	5	-	-	3	1
Mr. Kamal Afsar *	-	-	-	-	-
Mr. Mohsin Raza *	3	-	-	-	-
Mr. Masood Karim Shaikh *	-	-	-	-	-
Mr. Shahid Aziz Siddiqui	2	-	-	-	-
Mr. Shahid Anwar Khan	1	-	-	-	-
Number of Meetings Held	5	5	7	3	1

* Retired during the year

Notice is hereby given that the 31st Annual General Meeting of the shareholders of Fauji Fertilizer Company Limited will be held at Pearl Continental Hotel, Rawalpindi on Friday, February 27, 2009 at 1000 hours to transact the following business:-

Ordinary Business

1. To confirm the minutes of Annual General Meeting held on February 27, 2008.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Auditors' and the Directors' Reports thereon for the year ended December 31, 2008 together with the Audited Consolidated Accounts of FFC and subsidiary FFBL for the year ended December 31, 2008.
3. To appoint Auditors for the year 2009 and to fix their remuneration.
4. To approve payment of Final Dividend for the year ended December 31, 2008 as recommended by the Board of Directors.

Special Business

5. To increase the Authorized Share Capital of the Company from Rupees Five Billion to Rupees Ten Billion as recommended by the Board of Directors in their meeting held on January 29, 2009; and if thought fit pass the following Special Resolution with or without modification as required under Article 23 of the Articles of Association.

RESOLUTION

"RESOLVED THAT the Authorized Share Capital of the Company be and is hereby increased from Rs. 5,000,000,000/-(Rupees five billion) to Rs. 10,000,000,000/- (Rupees ten billion) divided into 1,000,000,000/- ordinary shares of Rs. 10/- each.

AND RESOLVED THAT the figures and words Rs. 5,000,000,000/- (Rupees five billion) divided into 500,000,000 (Five hundred million) ordinary shares of Rs. 10/- each appearing in clause V of the Memorandum of Association and Article (4) of the Articles of Association of the Company be and are hereby substituted by the figures and words Rs. 10,000,000,000/- (Rupees ten billion) divided into 1,000,000,000/- (One billion) ordinary shares of Rs.10/- each.

FURTHER RESOLVED THAT the Company Secretary be and is hereby authorized to do all acts to effect the Special Resolution and to comply with all the necessary requirements of the law in this regard."

6. To approve the issue of bonus shares in the ratio of 25 shares for every 100 shares held (i.e. 25%) as declared and recommended by the Board of Directors in their meeting held on January 29, 2009, and if thought fit, pass the following Resolution as Ordinary Resolution.

RESOLUTION

RESOLVED THAT a sum of Rs. 1,233,685,570 (one billion, two hundred thirty three million, six hundred eighty five thousand and five hundred seventy) out of Reserves of the Company available for appropriation as at December 31, 2008, be capitalized and applied for issue of 123,368,557 (one hundred twenty three million, three hundred sixty eight thousand and five hundred fifty seven) ordinary shares of Rs.10/- each allotted as fully paid bonus shares to the members of the Company whose names appear on the register of members as at close of business on February 20, 2009 in the proportion of twenty five shares for every hundred shares held (i.e. 25%) and that such shares shall rank pari passu in every respect with the existing ordinary shares of that Company.

AND RESOLVED THAT the bonus shares so allotted shall not be entitled for final cash dividend for the year 2008.

FURTHER RESOLVED THAT fractional entitlement of the members shall be consolidated into whole shares and sold on the Karachi Stock Exchange and the sale proceeds thereof will be donated as deemed appropriate by the Board.

AND FURTHER RESOLVED THAT the Company Secretary be and is hereby authorized and empowered to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for issue, allotment and distribution of bonus shares.

A statement under section 160(1) (b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice.

7. To transact any other business with the permission of the Chair.

By Order of the Board

Brig Khalid Kibriya (Retired)
Company Secretary

Rawalpindi
February 05, 2009

NOTES:

1. The share transfer books of the Company will remain closed from February 20, 2009 to February 27, 2009 (both days inclusive).

2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint a person/representative as proxy to attend and vote in place of the member at the Meeting. Proxies in order to be effective must be received at the Company's Registered Office, 93-Harley Street, Rawalpindi not later than 48 hours before the time of holding the Meeting.

3. Any Individual Beneficial Owner of CDC, entitled to vote at this Meeting, must bring his/her original NIC to prove identity, and in case of proxy, a copy of shareholder's attested computerized national identity card (CNIC) must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.

CDC Account Holders will also have to follow the under mentioned guidelines as laid down in Circular 1 dated the January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall authenticate identity by showing his/her original CNIC or original passport at the time of attending the Meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of Meeting.

B. For appointing proxies:

i) Incase of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by the person whose name, address and CNIC number shall be mentioned on the form.

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

iv) The proxy shall produce his original CNIC or original passport at the time of Meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (Unless it has been provided earlier) along with proxy form to the Company.

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

This statement sets out the material facts concerning the Special Business, given in agenda items No. 5 and 6 of the Notice, to be transacted at the Annual General Meeting of the Company.

1. Increase in Authorized Share Capital

Keeping in view the expected future growth, the Company may require additional capital to finance the upcoming project and capital expenditure in the years to come. Therefore, it is proposed to increase the Authorized capital in accordance with Article 23 of the Articles of Association of the Company and Section 92 of the Companies Ordinance 1984 from Rs. 5 billion to Rs. 10 billion divided into one billion ordinary shares of Rs 10 each.

2. Issue of Bonus Shares

The Directors are of the view that Company's financial position and its reserves justify the capitalization of free reserves amounting to Rs. 1,233,685,570 (one billion, two hundred thirty three million, six hundred eighty five thousand and five hundred seventy) for the issue of bonus shares in the ratio of 25 bonus shares for every 100 ordinary shares held. The Directors directly or indirectly, are not personally interested in this issue except to the extent of their shareholding in the Company.

Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules 1996, the Auditors have certified that the reserves and surplus retained after the issue of the bonus shares will not be less than 25% of the increased Capital.

Corporate Vision

FFC's vision for the 21st Century remains focused on harmonizing the Company with fresh challenges and encompasses diversification and embarking on ventures within and beyond the territorial limits of the Country in collaboration with leading business partners.

Mission Statement

FFC is committed to play its leading role in industrial and agricultural advancement in Pakistan by providing quality fertilizers and allied services to its customers and given the passion to excel, take on fresh challenges, set new goals and take initiatives for development of profitable business ventures.

Corporate Strategy

Our flexible and dynamic corporate strategy strives for enhancing customer satisfaction by adding value over the long run. We aim at creating value for the stakeholders by maintaining and improving our competitive position in the market. This is achieved by focusing on our 'sustainable competitive advantage' that is derived by continuously assembling and exploiting an appropriate combination of resources and capabilities in response to the changing market conditions. Our organizational culture is one of our most fundamental competitive advantages. We have built and preserve an innovation-adept culture, a culture that promotes transparency and accountability through honesty, integrity and diligence in our dealing with employees, customers, financial market, government, regulatory authorities, and all the other stakeholders. We consider diversification of our product line as a major factor behind corporate sustainability in the ever changing market scenario. Diversification in business line is also being considered. Our unique corporate strategy gets aligned with the resource allocation system and flows down to the operational levels, thus ensuring its implementation at all levels alongwith the achievement of the intended results.

Policy Statement of Ethics and Business Practices

- It is the policy of FFC to follow the highest business ethics and standards of conduct. It is the obligation of every one of us to act responsibly; that is, to be honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices.

- The Company's reputation and its actions as a legal entity depend on the conduct of its Directors and employees. Each one of us must endeavour to act according to the highest ethical standards and to be aware of and abide by applicable laws.

- We all must ensure that our personal conduct is above reproach and complies with the highest standards of conduct and business ethics and have the obligation to ensure that the conduct of those who work around us complies with these Standards. The Company's Code of Business Ethics and Standards of Conduct will be enforced at all levels fairly and without prejudice.

- This code to which the Company is committed in maintaining the highest standards of conduct and ethical behavior is obligatory, both morally as well as legally and is equally applicable to all the Directors and employees of the Company who all have been provided with a personal copy.

Standard of Conduct for Directors/Employees

- We shall conduct our employment activities with the highest principles of honesty, integrity, truthfulness and honour. To this end, we are to avoid not only impropriety, but also the appearance of impropriety.

- We shall not make, recommend, or cause to be taken any action, contract, agreement, investment, expenditure or transaction known or believed to be in violation of any law, regulation or corporate policy.

- We shall not use our respective positions in employment to force, induce, coerce, harass, intimidate, or in any manner influence any person, including subordinates, to provide any favor, gift or benefit, whether financial or otherwise, to ourselves or others.

- In business dealings with suppliers, contractors, consultants, customers and government entities, we shall not provide or offer to provide, any gratuity, favour or other benefit and all such activities shall be conducted strictly on an arm's length business basis.

- While representing the Company in dealings with third parties we shall not allow ourselves to be placed in a position in which an actual or apparent conflict of interest exists. All such activities shall be conducted strictly on an arm's length business basis.

- All of us shall exercise great care in situations in which a preexisting personal relationship exists between an individual and any third party or Government employee or official of an agency with whom the Company has an existing or potential business relationship. Where there is any doubt as to the propriety of the relationship, the individual shall report the relationship to management so as to avoid even the appearance of impropriety.

- We shall not engage in outside business activities, either directly or indirectly, with a customer, vendor, supplier or agent of the Company, or engage in business activities which are inconsistent with, or contrary to, the business activities of the Company.

- We shall not use or disclose the Company's trade secret, proprietary or confidential information, or any other confidential information gained in the performance of Company duties as a means of making private profit, gain or benefit.

Core Values

- At FFC we seek uncompromising integrity through each individual's effort towards quality product for our customers and sizable contribution to the national exchequer.

- Our business success is dependent on trusting relationships. Our reputation is founded on the integrity of the Company's personnel and our commitment to our principles of:

- Honesty in communicating within the Company and with our business partners, suppliers and customers, while at the same time protecting the Company's confidential information and trade secrets.

- Excellence in high-quality products and services to our customers.

- Consistency in our word and deed.

- Compassion in our relationships with our employees and the communities affected by our business.

- Fairness to our fellow employees, stakeholders, business partners, customers and suppliers through adherence to all applicable laws, regulations and policies and a high standard of moral behaviour.

Key Indicators

		2003	2004	2005	2006	2007	2008
Operating							
Gross profit margin	%	34.86	37.42	36.06	32.42	35.59	40.40
Pre tax margin	%	23.44	29.02	28.31	23.32	27.49	32.82
Net profit margin	%	14.95	19.04	19.22	15.48	18.86	21.33
EBITDA	(Rs. M)	6,347	7,276	8,410	8,384	9,342	11,622
Performance							
Return on assets	%	18.11	23.08	25.36	25.47	26.73	31.46
Total assets turnover	Times	0.77	0.80	0.90	1.09	0.97	0.96
Fixed assets turnover	Times	2.27	2.29	2.77	3.12	2.74	2.40
Debtors turnover	Times	12.84	12.81	24.65	36.95	21.19	27.58
Debtors turnover	Days	28	29	15	10	17	13
Inventory turnover	Times	22.20	31.93	47.47	29.31	25.54	55.20
Inventory turnover	Days	16	11	8	12	14	7
Operating cycle	Days	34	30	4	9	24	12
Return on equity	%	27.29	32.57	39.36	35.78	42.11	53.11
Return on capital employed	%	19.56	26.41	36.49	32.76	34.81	36.94
Retention (after interim cash)	%	30.67	19.28	21.05	35.06	30.96	20.59
Retention (after prop cash & bonus)	%	18.43	(23.48)	(33.12)	(6.45)	(1.25)	(22.89)
Leverage							
Debt:Equity		28:72	19:81	7:93	8:92	17:83	30:70
Interest cover		10.47	17.36	23.13	14.94	12.10	15.44
Weighted average cost of debt		6.66	7.35	7.35	8.07	8.93	12.09
Liquidity							
Current ratio		1.04	1.09	0.91	0.90	0.94	0.82
Quick/Acid test ratio		0.76	0.87	0.69	0.61	0.68	0.54
Valuation							
Earnings per share (pre tax)	Rs.	9.99	12.37	14.62	14.16	15.84	20.35
Earnings per share (after tax)	Rs.	6.37	8.11	9.92	9.39	10.86	13.22
Earnings growth	%	2.33	27.33	22.31	(5.34)	15.64	21.71
Breakup value/(Net assets/share)	Rs.	44.92	41.68	25.21	26.26	25.80	24.90
Dividend per share – Interim cash	Rs.	8.50	12.00	9.75	6.10	7.50	10.50
Dividend per share – Prop. Final	Rs.	1.50	3.00	2.25	3.90	3.50	3.25*
Bonus shares issued	%	–	15.00	40.00	0.00	0.00	0.00
Proposed bonus issue	%	–	15.00	0.00	0.00	0.00	25.00*
Total dividend incl. bonus	%	100.00	180.00	160.00	100.00	110.00	162.50

Key Indicators

		2003	2004	2005	2006	2007	2008
Valuation- Continued							
Dividend payout- Cash (after tax)	%	69.33	80.72	78.95	64.94	69.04	79.41
Dividend payout incl. prop. Cash	%	81.57	102.82	101.62	106.45	101.25	103.99
Total dividend payout – cash & bonus	%	81.57	123.48	133.12	106.45	101.25	122.89
Price earning ratio		14.99	17.19	13.80	11.23	10.93	4.44
Market price to breakup Val.		1.32	2.81	5.57	4.72	4.52	4.81
Dividend yield/Effective dividend rate	%	16.86	15.36	11.39	8.07	9.43	13.57
Dividend cover ratio	%	63.73	45.08	62.02	93.94	98.76	81.37
Market value per share – Year end	Rs.	95.50	139.45	137.00	105.55	118.75	58.73
Market value per share – High	Rs.	105.95	143.90	180.00	144.90	131.90	149.85
Market value per share – Low	Rs.	69.15	95.75	118.00	105.50	103.00	54.30
Market capitalization	(Rs. M)	24,495	41,134	67,606	52,086	58,600	28,982
				Rs. million			
Trading results							
Net turnover		21,035	21,027	25,481	29,951	28,429	30,593
Gross profit		7,333	7,869	9,187	9,709	10,117	12,358
Operating profit		5,482	6,103	6,816	6,962	7,699	9,690
Profit before tax		4,931	6,103	7,214	6,985	7,815	10,041
Profit after tax		3,145	4,004	4,897	4,636	5,361	6,525
Financial position							
Share capital		2,565	2,950	4,935	4,935	4,935	4,935
Reserves		8,958	9,345	7,506	8,022	7,795	7,350
Shareholder's funds/Equity		11,523	12,295	12,441	12,957	12,730	12,285
Long term liabilities		4,557	2,868	981	1,194	2,671	5,378
Capital employed		16,080	15,163	13,422	14,151	15,401	17,663
Deferred liabilities		2,522	2,407	2,401	2,396	2,364	2,432
Property, plant & equipment		9,259	9,181	9,185	9,608	10,390	12,731
Long term assets		18,292	16,796	16,985	17,666	18,431	22,209
Net current assets/Working capital		309	775	(1,162)	(1,119)	(666)	(2,114)
Liquid funds (net)		3,393	6,355	5,801	496	2,103	2,116
Cash flows							
Operating activities		2,028	7,575	6,177	(396)	5,914	8,166
Investing activities		(517)	1,070	1,611	(353)	(451)	(3,243)
Financing activities		(2,937)	(7,577)	(4,723)	(3,055)	(5,510)	(7,529)
Changes in Cash & cash equiv.		(1,426)	1,068	3,065	(3,804)	(48)	(2,607)
Cash & cash equivalents - Year end		3,039	4,107	7,175	3,384	3,344	739

** Post Balance Sheet Event*

Horizontal analysis

Balance Sheet

	(Rs. Millions)			*Variance %*		
	2006	*2007*	*2008*	*2006*	*07 Vs. 06*	*08 Vs. 07*
Share capital & Reserves						
Share capital	4,935	4,935	4,935	100	(0.01)	–
Capital reserve	160	160	160	100	–	–
Revenue reserve	7,862	7,635	7,190	100	(2.88)	(5.83)
	12,957	12,730	12,285	100	(1.75)	(3.49)
Non Current liabilities	1,194	2,671	5,378	100	123.72	101.34
Deferred taxation	2,396	2,364	2,432	100	(1.36)	2.89
Current liabilities						
Trade and other payables	4,026	5,815	5,994	100	44.44	3.07
Interest and mark – up accrued	134	184	195	100	37.63	5.50
Short term borrowings	4,531	3,141	3,114	100	(30.68)	(0.86)
Current portion of long term financing	887	1,023	743	100	15.28	(27.33)
Taxation	1,306	1,313	1,778	100	0.54	35.43
	10,884	11,476	11,824	100	5.44	3.03
	27,431	29,241	31,919	100	6.60	9.16

Vertical analysis

Balance Sheet

	(Rs. Millions)	*%*				
	2006	*2007*	*2008*	*2006*	*07 Vs. 06*	*08 Vs. 07*
Share capital & Reserves						
Share capital	4,935	4,935	4,935	17.99	16.88	15.46
Capital reserve	160	160	160	0.58	0.55	0.50
Revenue reserve	7,862	7,635	7,190	28.66	26.11	22.53
	12,957	12,730	12,285	47.23	43.53	38.49
Non Current liabilities	1,194	2,671	5,378	4.35	9.14	16.85
Deferred taxation	2,396	2,364	2,432	8.73	8.08	7.62
Current liabilities						
Trade and other payables	4,026	5,815	5,994	14.68	19.89	18.78
Interest and mark – up accrued	134	184	195	0.49	0.63	0.61
Short term borrowings	4,531	3,141	3,114	16.52	10.74	9.76
Current portion of long term financing	887	1,023	743	3.23	3.50	2.33
Taxation	1,306	1,313	1,778	4.76	4.49	5.57
	10,884	11,476	11,824	39.68	39.25	37.04
	27,431	29,241	31,919	100	100	100

Horizontal analysis

Balance Sheet

	(Rs. Millions)			Variance %		
	2006	2007	2008	2006	07 Vs. 06	08 Vs. 07
Property, plant & equipment	9,608	10,390	12,731	100	8.14	22.52
Goodwill	1,569	1,569	1,569	100	–	–
Log term investments	6,409	6,325	7,745	100	(1.31)	22.44
Long term Loans & advances	77	143	163	100	85.43	14.23
Long term deposits & prepayments	2	2	2	100	–	–
Current assets						
Stores, spares and loose tools	2,202	2,408	3,034	100	9.35	26.01
Stock in trade	953	643	258	100	(32.55)	(59.85)
Trade debts	961	1,723	496	100	79.25	(71.21)
Loans and advances	95	84	137	100	(11.67)	63.19
Deposits and prepayments	25	34	107	100	34.66	218.93
Other receivables	1,454	1,543	1,233	100	6.10	(20.05)
Short term investments	2,453	3,028	3,512	100	23.43	15.98
Cash and bank balances	1,623	1,350	932	100	(16.82)	(30.97)
	9,766	10,811	9,710	100	10.70	(10.19)
	27,431	29,241	31,919	100	6.60	9.16

Vertical analysis

Balance Sheet

	(Rs. Millions)			Variance %		
	2006	2007	2008	2006	07 Vs. 06	08 Vs. 07
Property, plant & equipment	9,608	10,390	12,731	35.03	35.53	39.88
Goodwill	1,569	1,569	1,569	5.72	5.37	4.92
Log term investments	6,409	6,325	7,745	23.36	21.63	24.26
Long term Loans & advances	77	143	163	0.28	0.49	0.51
Long term deposits & prepayments	2	2	2	–	–	–
Current assets						
Stores, spares and loose tools	2,202	2,408	3,034	8.03	8.23	9.51
Stock in trade	953	643	258	3.47	2.20	0.81
Trade debts	961	1,723	496	3.50	5.89	1.55
Loans and advances	95	84	137	0.35	0.29	0.43
Deposits and prepayments	25	34	107	0.09	0.12	0.34
Other receivables	1,454	1,543	1,233	5.30	5.28	3.86
Short term investments	2,453	3,028	3,512	8.94	10.35	11.00
Cash and bank balances	1,623	1,350	932	5.92	4.62	2.92
	9,766	10,811	9,710	35.60	36.97	30.42
	27,431	29,241	31,919	100	100	100

Horizontal analysis

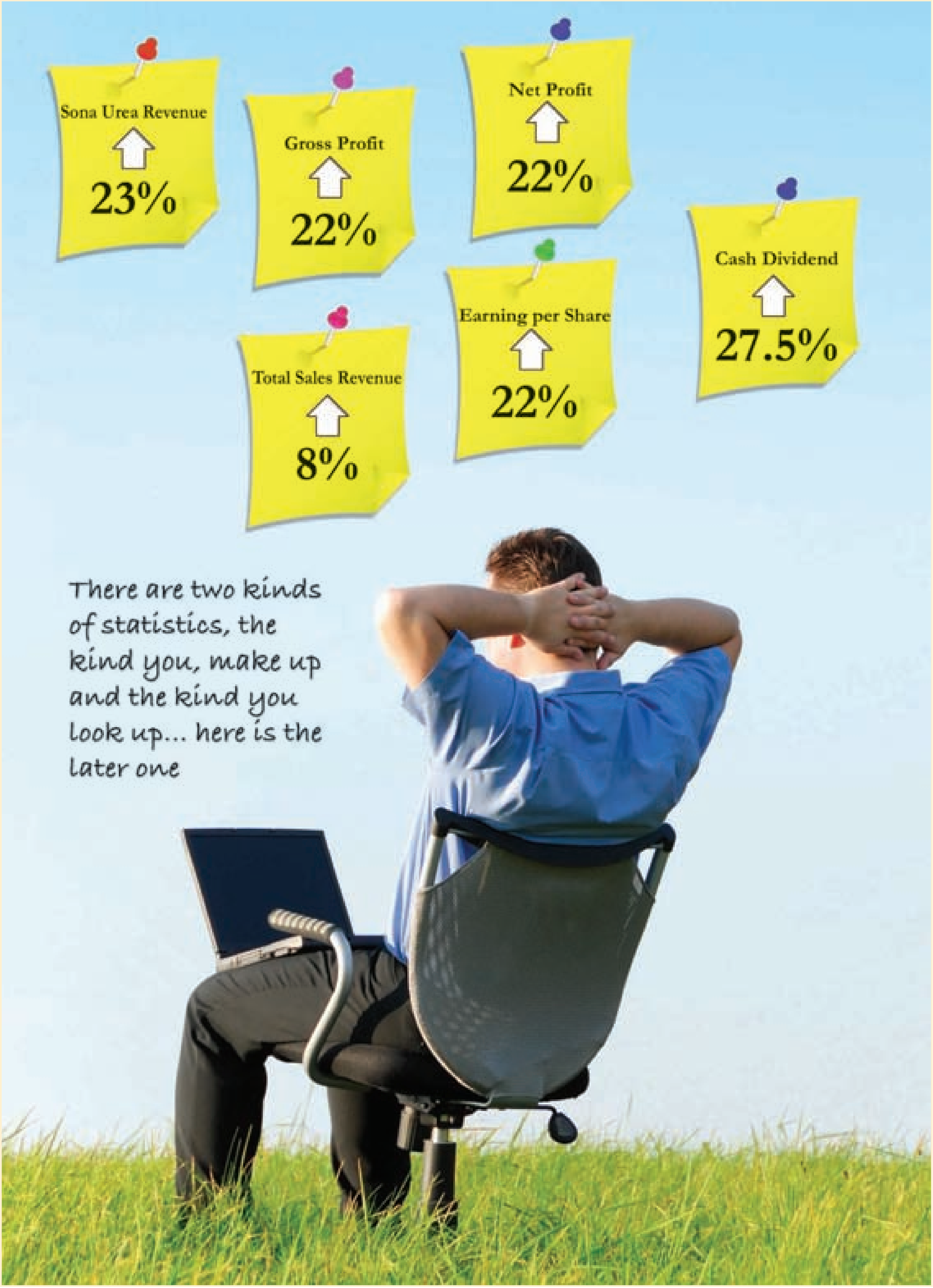
Profit & Loss Account

	(Rs. Millions)			Variance %		
	2006	2007	2008	2006	07 Vs. 06	08 Vs. 07
Sales	29,951	28,429	30,593	100	(5.08)	7.61
Cost of Sales	20,242	18,312	18,235	100	(9.54)	(0.42)
Gross profit	9,709	10,117	12,358	100	4.21	22.15
Distribution cost	2,747	2,419	2,669	100	(11.95)	10.33
	6,962	7,699	9,690	100	10.58	25.86
Finance cost	501	704	695	100	40.37	(1.17)
Other expenses	736	845	896	100	14.85	5.95
	5,725	6,150	8,099	100	7.42	31.69
Other income						
Dividend Income	832	1,336	886	100	60.66	(33.69)
Others	428	329	1,057	100	(23.14)	221.07
Total	1,260	1,665	1,943	100	32.18	16.66
Net profit before taxation	6,985	7,815	10,041	100	11.89	28.49
Provision for taxation	2,349	2,454	3,516	100	4.47	43.28
Net profit after taxation	4,636	5,361	6,525	100	15.65	21.71
EPS	9.39	10.86	13.22	100	15.65	21.71

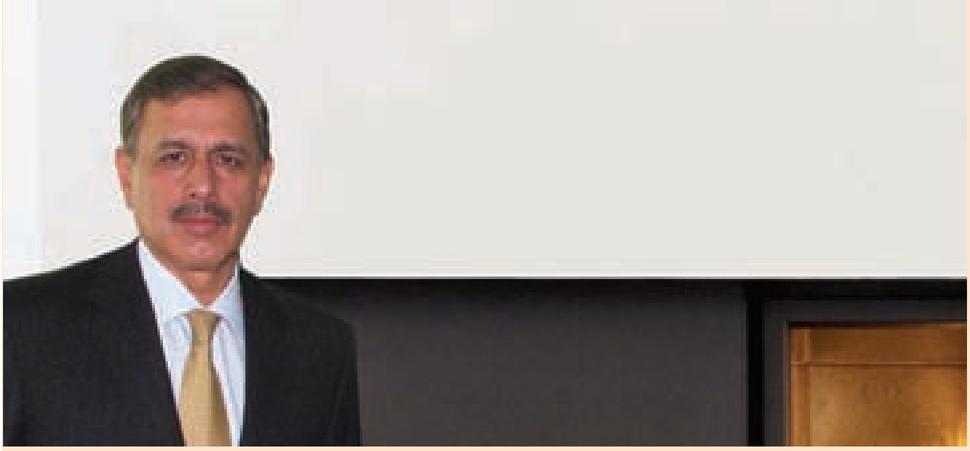
Vertical analysis

Profit & Loss Account

	(Rs. Millions)			*%*		
	2006	*2007*	*2008*	*2006*	*07 Vs. 06*	*08 Vs. 07*
Sales	29,951	28,429	30,593	100	100	100
Cost of Sales	20,242	18,312	18,235	67.58	64.41	59.60
Gross profit	9,709	10,117	12,358	32.42	35.59	40.40
Distribution cost	2,747	2,419	2,669	9.17	8.51	8.72
Operating Profit	6,962	7,699	9,690	23.24	27.08	31.67
Finance cost	501	704	695	1.67	2.47	2.27
Other expenses	736	845	896	2.46	2.97	2.93
Other income						
Dividend Income	832	1,336	886	2.78	4.70	2.90
Others	428	329	1,057	1.43	1.16	3.45
Total	1,260	1,665	1,943	4.21	5.86	6.35
Net profit before taxation	6,985	7,815	10,041	23.32	27.49	32.82
Provision for taxation	2,349	2,454	3,516	7.84	8.63	11.49
Net profit after taxation	4,636	5,361	6,525	15.48	18.86	21.33


Sona Urea Revenue
23%
Gross Profit
22%
Net Profit
22%
Cash Dividend
27.5%
Earning per Share
22%
Total Sales Revenue
8%
There are two kinds of statistics, the kind you, make up and the kind you look up... here is the later one

Dear Shareholders,



On behalf of the Board I am pleased to report that the year 2008 was yet another successful year for the Company despite the global economic downturn. The record operational performance, in terms of production, sales and profitability, was due to the dedication of our work force under the able guidance of our Management team & the Board and patronage of our business partners.

Global Economy

The year 2008 was one of the most volatile years for the global economy with challenges involving sub-prime defaults, financial market crisis, stock market crashes and soaring commodity prices including food inflation.

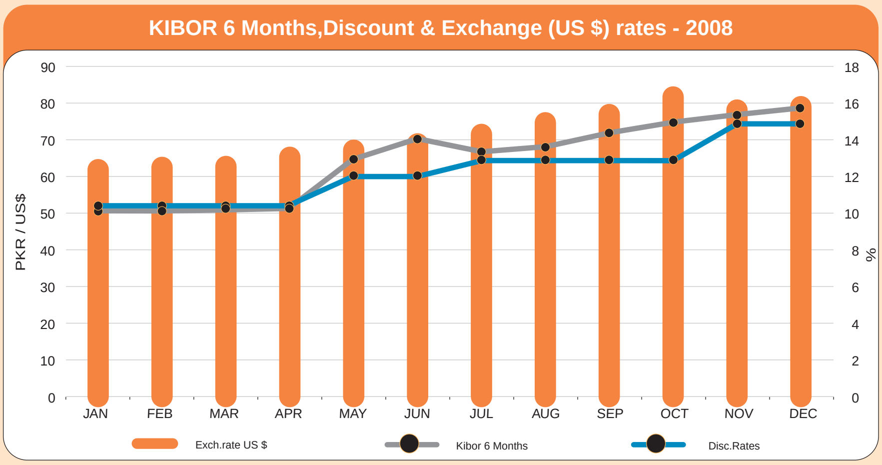
One of the biggest shocks in oil history was also encountered with crude oil price rising to a peak of around $ 147 per barrel during 2008, which subsequently crashed to around $ 39 per barrel towards the end of the year.

Development of the bio-fuel industry further aggravated availability of food, demand for which continues to rise with expansion in the world's population. Raising agricultural productivity at the global and national levels seems the only viable solution to address this challenge.

Fertilizer

The year 2008 witnessed an abnormal escalation in fertilizers and raw materials prices including Urea, DAP, Sulphur and Phosphoric acid. This was driven by demand, increased production of bio-fuels, imposition of export tax on fertilizers by China and shortage of vessels to carry fertilizers around the world.

The bullish run was arrested towards the end of third quarter with steep decline in international prices which is likely to continue in 2009. This was due to slowdown in demand combined with a much tighter access to financing, erosion in crop prices and a near collapse in Sulphur values.



Production cuts have started in USA and former Soviet Union States, there are fears that prices have yet to touch rock bottom. According to research reports, chances of recovery are set to be remote in the short run as China has adjusted the export taxes downwards. Even if demand picks up in the short term, additional production from China is expected to make up the short fall.

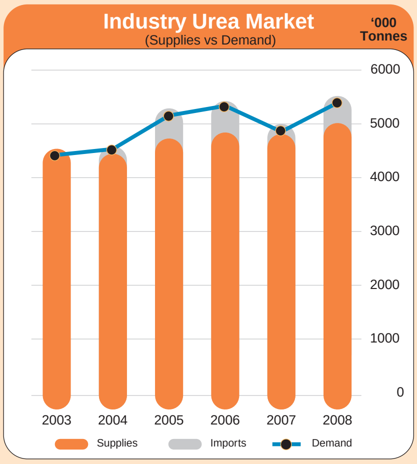
Pakistan

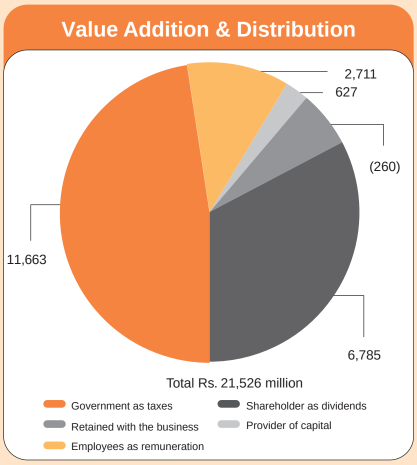
The national macroeconomic fundamentals were also negatively impacted by the global economic downturn in addition to various economic ailments including growing fiscal deficit and widening of trade and current account deficits, essentially due to the impact of external shocks.

Agriculture, which is the single largest sector of the economy, exhibited a dismal performance with decline of 3% in output of major crops including wheat and cotton which collectively contribute over 20% and 4% to agriculture and GDP, respectively.

Large-scale-manufacturing sector's growth was hampered by higher energy costs, severe power outages, social disruptions and higher import prices owing to steep devaluation of the local currency that was particularly detrimental for non-exporting sectors. The Rupee parity dropped to a historical low of 1 US $ = Rs. 81.50 during the year, closing at around Rs. 79/ $1 at the end of the year, with an overall depletion of 28% in value.

The tight monetary stance adopted by the State Bank of Pakistan (SBP) to curb a three decades high inflationary buildup and ease the pressure on the foreign exchange market through raising the discount rate and reduced liquidity, resulted in increased costs of business for the industrial and commercial sectors. This measure was in stark contrast to the international money markets where interest rates were curbed to enhance liquidity and economic growth. The Karachi Stock Exchange (KSE) also reacted negatively with a sharp decline of the KSE index. Both the discount and the 6 months KIBOR closed at historical highs of 15% and 15.7% respectively.





Fertilizer

The manufacturing costs pertaining to fertilizer industry were impacted by inflationary factors combined with a 5.5% escalation in fuel gas price from January 2008 and escalation of 31% effective July 1, 2008. The Finance Act 2008 abolished GST on marketing of locally produced and imported fertilizers for the benefit of the farming community.

Urea

The urea Industry witnessed an exceptional growth of 11% in demand. However, the imports did not satisfy the demand and supply gap resulting in shortage and price increase.

The year started with a 32% lower inventory of 159 thousand tonnes as compared to last year. Indigenous urea production during 2008 is estimated at 4,978 thousand tonnes with a growth of 4.7% while 504 thousand tonnes were imported during 2008.

DAP (Di ammonium Phosphate)

Unlike urea, the domestic DAP market remained depressed owing to high international prices which touched an all time high (1,230 US$ per tonne FOB ex-US Gulf) in May 2008. The domestic DAP prices, despite being cheaper, were still very high for the farmers and the industry faced a dire need for enhancement in the subsidy by the Government to make DAP affordable.

Despite subsidy enhancement from Rs. 1,000 to Rs. 2,200 per bag effective July 1, 2008, the official notification to the effect was issued in September 2008 causing heavy subsidy receivables outstanding for around six months between April - September 2008, disturbing the working capital cycle and incurrence of additional inventory costs.

DAP manufacturing costs of the Company's subsidiary Fauji Fertilizer Bin Qasim Limited (FFBL) were negatively affected by soaring prices of Phosphoric Acid which shot up to $ 2,200 per tonne. FFBL, the sole producer of indigenous DAP, had to bear the major burden of the delay in subsidy payments as it carried large inventories during the period, with a closing inventory of 172 thousand tonnes at end December 2008.

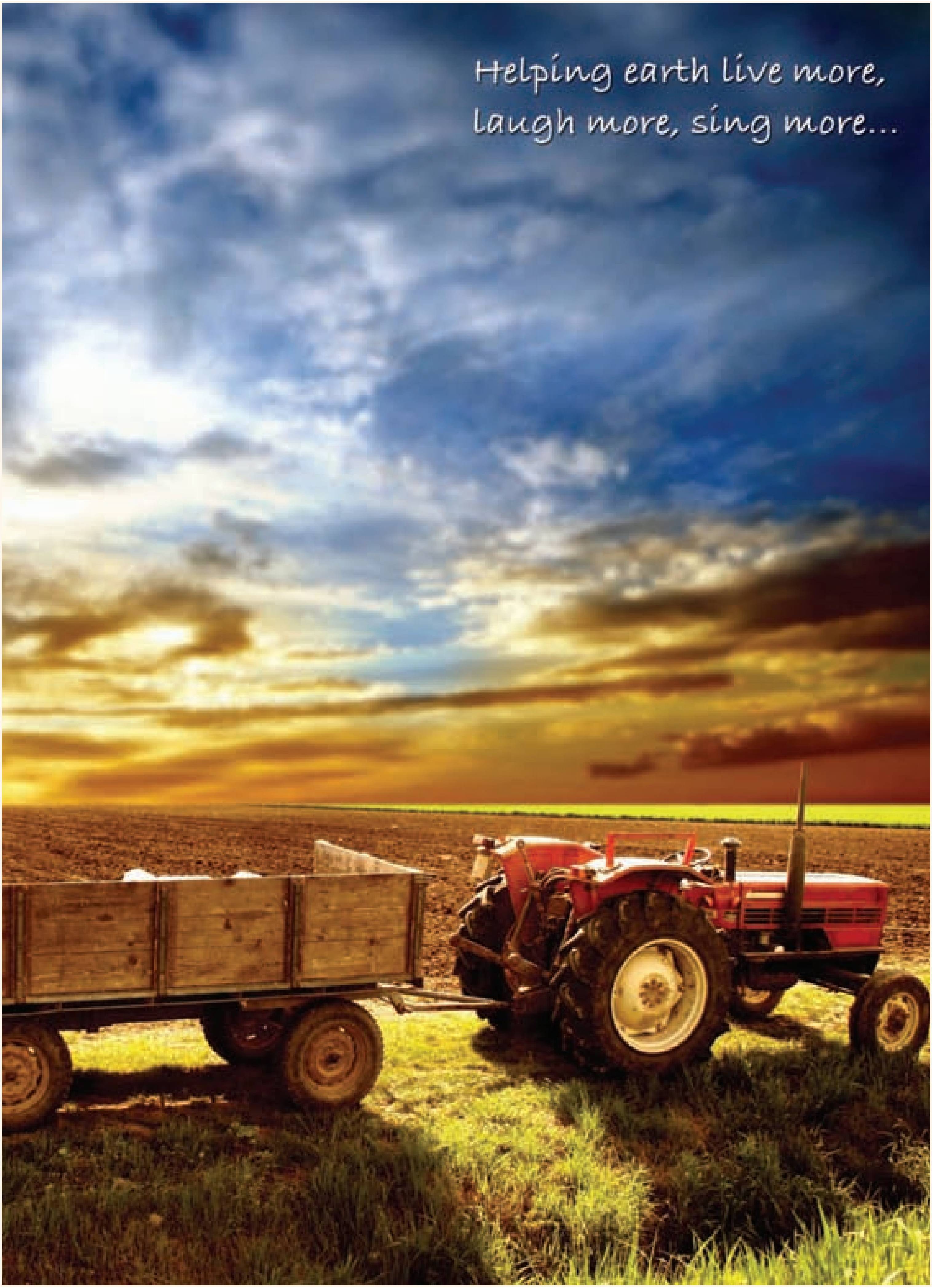
These factors collectively resulted in DAP offtake of 775 thousand tonnes, 45% lower compared to the offtake in 2007. The industry carried a DAP opening inventory of 276 thousand tonnes as compared to 119 thousand tonnes at the start of 2007. Sona DAP production by FFBL was recorded at 471 thousand tonnes while 352 thousand tonnes were imported during 2008, 71% lower as compared to 2007.

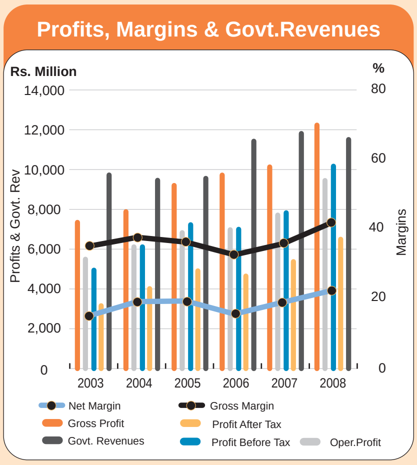
The Industry carried DAP inventory of 340 thousand tonnes at the end of 2008, 23% higher than last year. The low consumption/application of phosphatic fertilizers is likely to result in lower yields thereby impacting the agricultural sector of the Country.

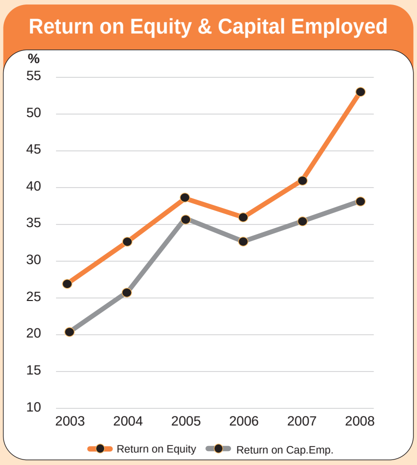
Value Addition & Distribution by FFC

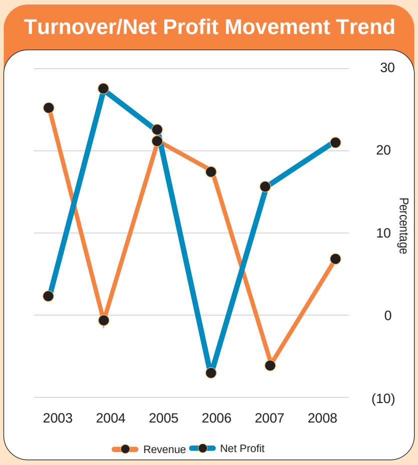
The Company contributed an amount of Rs. 11,663 million by way of taxes, levies, excise duty, sales tax and gas surcharge in 2008 with aggregate contribution of Rs. 106 billion to-date since inception.

Value addition in terms of foreign exchange savings worked out to US $ 1.217 billion through import substitution by manufacturing 2,322 thousand tonnes of urea during 2008, resulting in higher savings by 51% over last year. Contribution to the economy included Rs. 627 million on account of payments to providers of capital, Rs. 6,785 million in the shape of Shareholders' returns through cash dividends while employees' remuneration & benefits stood at Rs. 2,711 million.


Helping earth live more,
laugh more, sing more...







Fiscal Review

The Board is conscious to the need of maintaining the balance between the interests of our debt and equity holders and sustenance of growth in net earnings. Recognized in Pakistan and abroad for best governance practices, financial reporting and disclosure excellence, we believe in the timeliness and accuracy of financial reporting to enable informed decision making by our investors and their confidence in the Board.

Company profitability witnessed record levels with aggregate sales revenue of Rs. 30.59 billion, demonstrating a growth of 8% over last year. The enhancement in revenue is attributable primarily to improved Sona urea sales volume and prices. Sona urea sales accounted for 89% of total revenue as compared to Rs. 22.16 billion in 2007. Revenues from imported fertilizers, including phosphates and urea, were recorded at Rs. 2,871 million and Rs. 532 million respectively, registering declines of 48% and 33% owing to depressed DAP market and less than required urea imports by the Government.

The cost of sales-to-revenue ratio improved to 60% as compared to 64% last year, owing to lower sales of high cost-low profitability imported fertilizers, which enabled the Company to improve its gross margin to 40% as compared to 36% in 2007. The Gross Profit was recorded at Rs. 12.34 billion with improvement of 22% over last year.

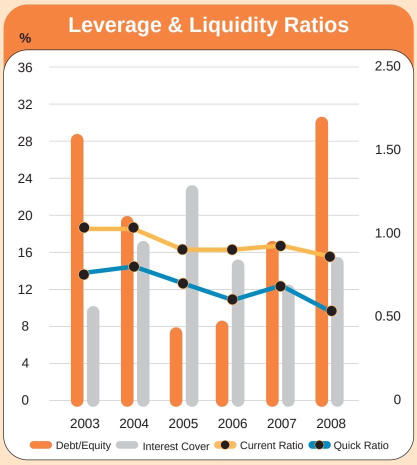
Distribution of fertilizers to Company warehouses for our customers cost the Company Rs. 2.67 billion with an increase of 10% compared to last year. The increase is in part attributable to transportation cost inflation during the first half of the year. The higher costs were, however, offset by lower distribution cost of imported fertilizers. Other charges include statutory provisions on Company profitability at 5% for workers Profit Participation Fund (WPPF), and 2% on account of Workers Welfare Fund (WWF). The increase in these expenses as compared to 2007 is attributable to higher profitability in 2008.

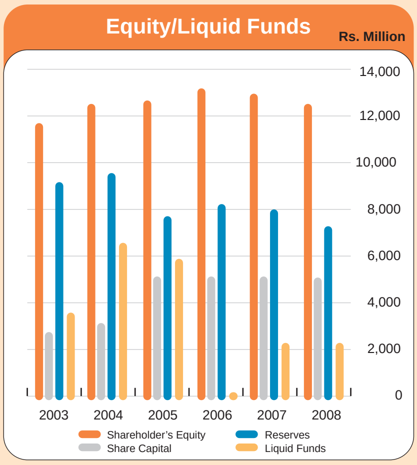
Earnings before interest, taxes and depreciation rose to Rs. 11.62 billion with a growth of 24%, which included 11.50 % lower dividend income of Rs. 760 million from Company subsidiary FFBL as compared to Rs. 1.31 billion at 27.5% in 2007. Aggregate other income was recorded at Rs. 1,943 million which included return on financial instruments of Rs. 248 million (net of remeasurement loss), supplemented with exchange gain of Rs. 241 million on selective foreign currency investments.

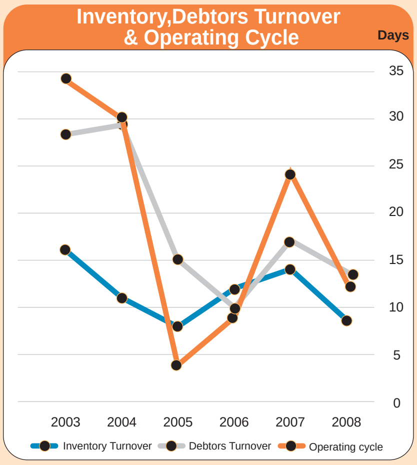
In view of improved operational performance and increase in the nameplate capacity from 574,000 tonnes to 718,000 tonnes of our Mirpur Mathelo Plant (Formerly PSFL) resulting in extended life span of the unit as a going concern, hence no impairment of goodwill arising on acquisition has been incorporated in the financial statements.

Profit before interest and tax was Rs. 10.74 billion, up by 26% compared to last year. Finance cost excluding exchange loss was recorded at Rs. 627 million, which was lower by 5% compared to last year owing to lower utilization of borrowed funds. The weighted average cost of borrowed funds was, however, higher by 3% compared to last year, attributable to discount rate enhancement by the SBP. The debt/equity ratio was posted at 30:70 while the interest coverage was recorded at 15 times, which provides us with abundant untapped financial leverage capacity.

Profit before tax was recorded at Rs. 10,041 million, higher by 28% compared to last year. Earnings per share, therefore, rose by Rs. 2.36 to Rs. 13.22 due to 22% growth in after tax profitability recorded at Rs. 6.53 billion. Return on equity was 53%, compared with 42% in 2007. Other significant ratios for the last six years and horizontal and vertical analyses of Company operations are attached to the Report.





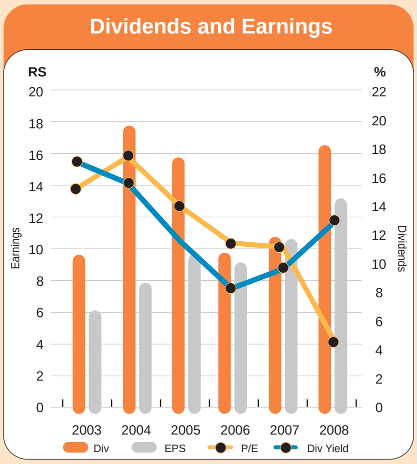


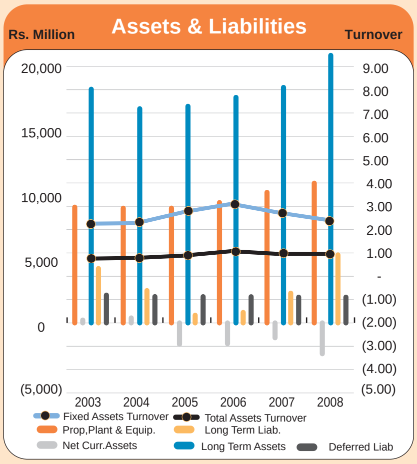
Post Balance Sheet Event

The Board has announced final cash dividend of Rs. 3.25 per share (32.5%), for 2008 and a 25% bonus issue, in addition to three interim cash dividends aggregating to Rs. 10.50 per share (105%). The Authorised Capital of the Company is therefore proposed to be enhanced to Rs. 10 billion, subject to the approval of the shareholders in the General Meeting scheduled for February 27, 2009. Appropriation of Company's profits is proposed as follows:

Appropriation of Profit

	Rupees "000"
Un-appropriated profit brought forward	1,657,149
Transfer from general reserve	100,000
	1,757,149
Final Dividend 2007 Rs. 3.50 per share	(1,727,160)
	29,989
Net profit after taxation	6,525,083
	6,555,072
Dividend on ordinary shares:	
First interim 2008 Rs. 3.50 per share	(1,727,160)
Second interim 2008 Rs. 3.00 per share	(1,480,423)
Third interim 2008 Rs. 4.00 per share	(1,973,897)
	(5,181,480)
Un-appropriated profit carried forward	1,373,592





Commitments

The Company was financially committed to disburse a total of Rs. 3,324 million at the close of 2008 for procurement of property, plant & equipment, stores & spares and other goods and services, for which requests/contracts were executed during the year in favour of local and international contractors/vendors.

Commitment towards equity participation in associated company 'Fauji Cement Company Limited (FCCL)' was discharged during the year. Lease rentals include payments for premises and vehicles from 2009 to 2013, and beyond. All short term commitments have been duly catered for in the Business Plan for 2009 while projected cash flows for the long term include all long term undertakings.

Cash flow Management

The Company has an effective Cash Flow Management System in place whereby cash inflows and outflows are projected on regular basis. Repayments of all long term and short term loans due in 2009 and/or onwards have been accounted for. Working capital requirements have been planned to be financed through internal cash generations and short term borrowings from external sources where necessary.

The investment portfolio of the Company is fairly diversified, ranging from equity participation in FFBL, PMP and FCCL and investment in Government bonds and mutual funds. These investments are aimed at tapping the positive developments in the financial and industrial sectors. Investment of surplus funds alongwith strategic placements are made after thorough financial evaluation.

The Board is satisfied that there are no short or long term financial constraints including accessibility to credit backed by FFC's debt discharging history and a strong balance sheet.

Risk mitigation

Credit Risk

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

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines.

Interest Rate Risk

Variable rate long term financing is hedged against interest rate risk by holding "prepayment option", which can be exercised upon any adverse movement in the underlying interest rates.

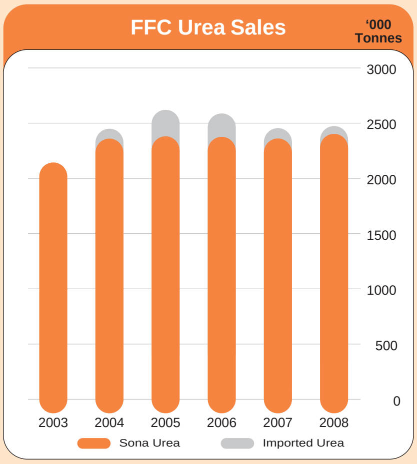
Foreign Exchange Risk

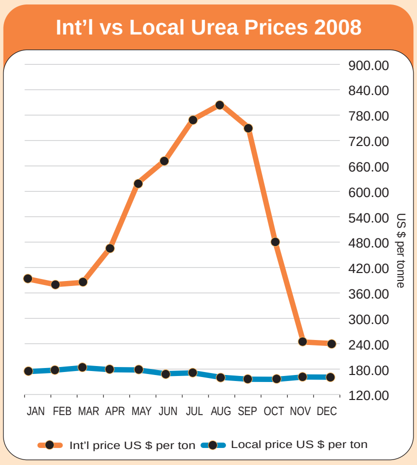
Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Company's foreign exchange risk exposure is restricted to foreign currency investments and bank balances. As foreign currency assets are denominated in US Dollar and carry interest, the Company's exposure emanating from any fluctuations in the Pak Rupee/ US Dollar parity gets adjusted against the change in interest rates to a certain extent.

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. 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.


Brainstorming
Ideas
Business Plan
Clients
Market Analysis
Testing
Marketing
Finished Product
Profit
Sales
Delivery
Feedback
Support
Our discipline today...
your profits tomorrow





FFC Marketing Operations

We believe in extending the benefits of fertilizers to our farming community. Our strong experience of over three decades in fertilizer marketing enables us to offer integrated solutions to our customers that differentiate FFC from its competitors. Through our focus on delivering premium services and our dependable reputation, we have earned enhancement in our customer base. In order to ensure delivery and expeditious processing of customers' orders, 50 Company warehouses were automated and integrated successfully during the year with the warehouse control system.

FFC delivered 19 thousand tonnes of SOP and 160 tonnes of Boron during the year to the fertilizer market in addition to urea and DAP. Aggregate FFC all fertilizers sales stood at 2,449 thousand tonnes resulting in total sales revenue of Rs. 30.59 billion.

FFC marketed a record 2,342 thousand tonnes of Sona urea-prilled during 2008 with an improvement of 2% over last year, in addition to an all time high sales of 686 thousand tonnes of Sona urea-granular on behalf of FFBL. Aggregate urea offtake by the Company was recorded at 3,086 thousand tonnes, including a total of 58 thousand tonnes of imported urea. The Company thus captured an aggregate urea market share of 56% during 2008.

(Source: National Fertilizer Development Centre - NFDC)

Aggregate DAP offtake stood at 348 thousand tonnes which was 38% lower than sales for 2007. DAP market participation of 45% included 42 thousand tonnes of imported DAP by FFC and 306 thousand tonnes of Sona DAP produced by FFBL.


We help people pluck
the pleasures spread
throughout green...

Production Facilities

Performance of our production facilities was excellent with unprecedented levels of output.

Our team continued to improve efficiencies through harmonized efforts, eliminating wastage and avoidance of shutdowns on numerous occasions. The Company is determined to continue its focus on maximum capacity utilization for sustained profitability and to maintain its position as the leading fertilizer manufacturer in the Country.

Plants I & II (Goth Machhi)

The Goth Machhi complex delivered output of 1,638 thousand tonnes at an aggregate 123% of design capacity despite maintenance turnaround of Plant-II, compared to 1,640 thousand tonnes produced last year with no turnaround.

The Complex also achieved urea production record of 841 thousand tonnes by Plant I and monthly urea production record of 73 thousand tonnes by Plant-II. In addition, highest ever daily urea production of 2,490 tonnes was achieved at Plant-I. Plant-II Ammonia front-end and back-end surpassed uninterrupted running records of 696 & 305 days respectively in March this year.

The bi-annual turnaround was successfully completed in 368 hours increasing the output by 2% alongwith energy index improvement of 1%, owing to modifications and cleaning of heat exchangers. Overall annual savings are estimated at Rs. 170 million.

Plant III (Mirpur Mathelo)

The Plant manufactured 684 thousand tonnes of Sona urea with an improvement of 1% over last year's production in addition to securing highest ever daily ammonia and urea productions of 1,296 tonnes and 2,259 tonnes respectively. The plant is operating at around 130% load after implementation of de-bottle necking (DBN).

Natural gas booster compressor, K-211 was commissioned successfully. High vibration of compressor gas piping was also significantly reduced through in-house efforts. Excitation System faced various problems which posed risk of total power failure, reliability of which was improved through tuning and overhauling by M/s LDW, Italy.

A study to re-use contaminated Benfield Solution was carried out resulting in cost savings through complete recovery of the contaminated solution in addition to resolving the environmental issue relating to disposal of the solution.

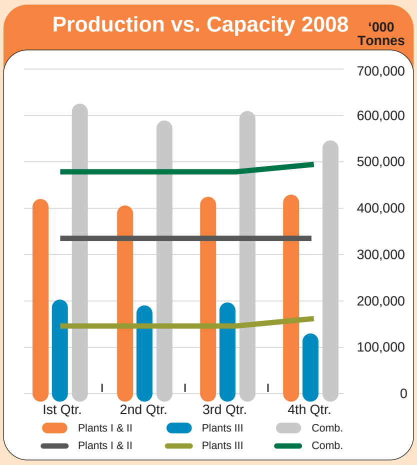
Balancing, Modernization & Replacement (BMR)

Plant I (Goth Machhi)

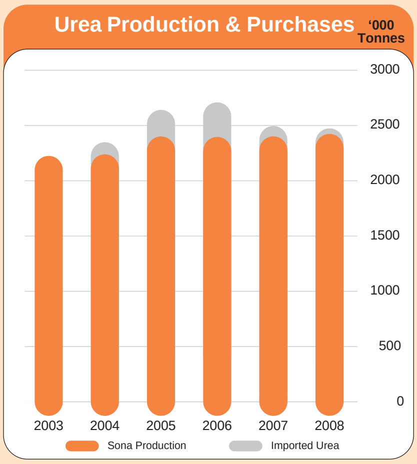
Preliminary study reports for Plant 1 ammonia and urea units revamp to 160% of original nameplate capacity have been completed. Detailed technical and economic evaluations are in progress. Three new natural gas compressor-engine packages along with associated air-coolers have been received at Plant 1 from EFX Compression, Canada. Civil foundations have been completed. Construction of control room building/installation of ancillaries is in progress. Field activities including pre-fabrication of the off-take/ interconnecting piping are in full swing.

Plant III (Mirpur Mathelo)

First DBN of Plant III was executed and commissioned successfully for enhancement of capacity to 125% of design within stipulated time during turnaround 2008. A total of 7,400 jobs including plant reliability, capacity enhancement and efficiency improvement were carried out resulting in remarkable improvement in energy consumption and product quality.



Production vs. Capacity 2008
'000 Tonnes
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
Ist Qtr.
2nd Qtr.
3rd Qtr.
4th Qtr.
Plants I & II
Plants III
Comb.
Plants I & II
Plants III
Comb.



Urea Production & Purchases
'000 Tonnes
3000
2500
2000
1500
1000
500
0
2003
2004
2005
2006
2007
2008
Sona Production
Imported Urea

Consolidated Operations & Performance

Combined sales revenue of the Company and its subsidiary stood at Rs. 57.43 billion, including Rs. 26.82 billion of FFBL sales revenue, which resulted in enhancement of gross profit by 38%.

Government compensation to FFBL amounted to Rs. 600 million, while income through treasury operations and other sources increased by 21% to Rs. 786 million. FFC's income from FFBL on account of dividend amounted to 16% of FFC's equity in FFBL as compared to 27.5% last year, not reflected in these financials on account of consolidation principles of the International Accounting Standards (IAS).

The share of net profits from PMP joint venture and associate-FCCL, amounting to Rs. 184 million and Rs. 65 million respectively have been included in the Profit and Loss Account under Equity Method Accounting of the IAS with corresponding adjustment of the value of these investments, without taking into account whether actual dividend announcements have been made by these companies.

The financial charges increased considerably compared to last year, primarily due to increased working capital financing cost of Rs. 2.79 billion related to FFBL, owing to opportunity costs on account of Rs. 12.44 billion outstanding DAP subsidy from the Government. The significant surge in Phosphoric Acid prices resulted in depressed DAP sales which combined with outstanding subsidy resulted in lower than expected results and unsold DAP stock of over Rs. 5 billion.

Profit before tax was recorded at Rs. 13.80 billion while the net profit after tax of Rs. 8.77 billion improved by 33% as compared to 2007. The Board of Directors of FFBL has announced a final dividend of Rs. 2.25 per share for 2008.

Subscription towards equity investment in FCCL, to finance its capacity expansion project, was remitted during the year by FFC & FFBL amounting to Rs. 1.50 billion and Rs. 300 million respectively. FFC holds 12.63% voting rights while 1.29% accrue to FFC through 50.88% investment in FFBL.

Fauji Fertilizer Bin Qasim Limited (FFBL)

Revamp of DAP plant was completed ahead of schedule in March 2008 achieving enhancement in production from 1,350 to 2,232 tonnes per day. FFBL attained highest ever daily, monthly and annual production records for Ammonia, Urea and DAP the aggregate of which improved by 35%, 37% and 32% respectively over last year. DAP production, however, was lower than target owing to varying acid composition, certain revamp issues and natural gas supply curtailment by SSGC on some occasions due to gas fields' maintenance and higher domestic demand.

Pakistan Maroc Phosphore - SA (PMP) - Morocco

Project commissioning was successfully achieved with commencement of commercial production from April 2008 and Phosphoric Acid shipment to FFBL from 15 May 2008, with aggregate dispatch of 305 thousand tonnes during the year.

The Plant was inaugurated by His Majesty, King Mohamed VI of Morocco in October 2008. Project completion within scheduled time and budget, despite significant price escalations, is an inspiration for the Project Monitoring Committee headed by FFBL. This project is considered one of the best in Moroccon history.

Plant performance was at design capacities, meeting total requirement of FFBL's DAP Plant. The project is expected to generate long term returns on FFC & FFBL investments aggregating to Rs. 2.12 billion (Moroccon Dirham [MAD] 300 million), currently valued at Rs. 3.16 billion, representing 37.5% of PMP's Equity.

Wind Power Project

FFC is in the process of setting up a Wind Power Project with an estimated investment of US$ 130 Million at Jhimpir, Distt. Thatta, Sindh with installed capacity of 50 Mega Watts for onward supply to National Transmission & Dispatch Company (NTDC).

King Mohamed VI at inauguration ceremony of Pakistan Maroc Phosphore - SA (PMP) - Morocco

Syed Shahid Hussain - Chief Financial Officer receiving Award from King Mohamed VI of Morocco

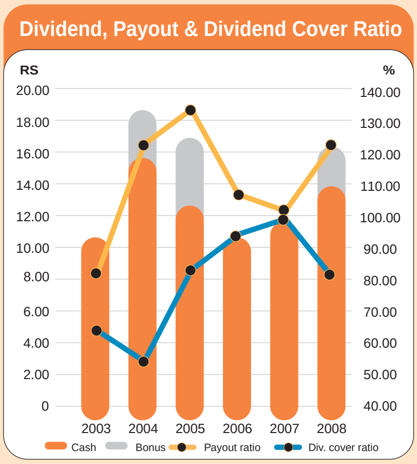
All project development activities including Pre-Geotech investigations, topographic survey, Wind, Grid and EIA studies have been completed. Project Feasibility Study has been prepared by Lahmeyer International, Germany which has been submitted to "Alternate Energy Development Board" (AEDB) for approval.

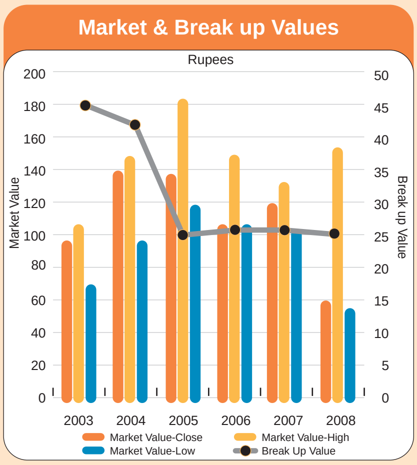
The financial close is expected to be achieved by 3rd Quarter 2009 while the construction phase is projected to take 12-15 months after the financial close.

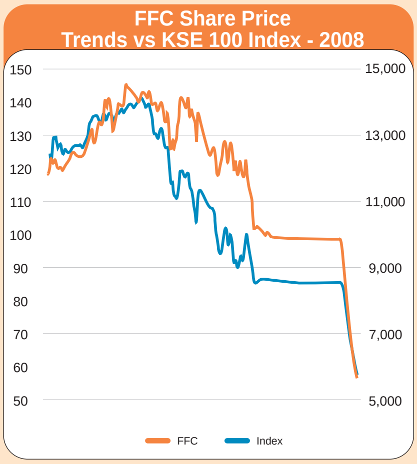
Future Outlook

Your Company always looks into the future prospects of growth through innovation and diversification, we seek to increase productivity and profitability for enhancing returns to our shareholders.

We shall continue to explore and tap opportunities, face challenges and make course corrections where necessary to achieve our goals for the betterment of our Company and the Country. Government policies, global & domestic economic forces and the money market would play a vital role in our decisions and ability to meet business objectives.







Lt Gen Munir Hafiez Chief Executive & Managing Director presiding a meeting at Plantsite - Mirpur Mathelo

Shareholders Value

Company continued to play a positive role in the fertilizer Industry. The market capitalization of Company stock was recorded at Rs. 29 billion at the close of 2008.

FFC shares were subjected to a wide range of trading from a high of Rs. 149.85 per share to a low of Rs. 54.30 per share, closing the year at Rs. 58.73 per share.

This is attributable primarily to the stock market downturn, a factor totally beyond the Company's control. However, FFC remained the top pick of brokerage houses during the period, offering a price earning ratio of 23%, which is well above the stock and the money market returns.

There were 9,213 holders of the Company's equity stock at the close of 2008. Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 89% of the total share capital, of which 8% were held by foreign shareholders. A total of 270 million Company shares were traded on the stock markets during the year and the free float stood at 11%.

The detailed Pattern of Shareholding, as required under the listing regulations, has been appended to the Annual Report.

Best Corporate Practices

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

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

These statements have also been made available on the Company website and all important information including distributions to shareholders, considered sensitive for share price fluctuation, were transmitted to stakeholders and regulators immediately.

Mr Muhammad Shuaib - General Manager (FR & PO) receiving ICAP & ICMAP overall Best Corporate Report Award 2007

Mr Muhammad Munir Malik - General Manager Finance (Marketing) receiving SAFA Corporate Top Award - Report 2007 in the Manufacturing Sector

Mr Muhammad Shuaib - General Manager (FR & PO) receiving ICAP & ICMAP Best Corporate Report Award 2007 for 1st position in Chemical and Fertilizer Sector

Mr Usman Ghani - Finance Manager (FR&T) receiving Corporate Printing & Designing Award 2007 by National Council of Culture & Arts

Excellence Awards

FFC Annual Report for the year 2007 won four top national and international Awards in various categories, testament to our endeavours for transparent accountability.

The first two awards, for the sixth consecutive year, included the Overall Top Position in all sectors and first position in the Chemical & Fertilizers sector of the Annual Report Competition 2007, held jointly by the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).

The third award from “South Asian Federation of Accountants - SAFA” was in connection with the top position in Manufacturing Sector in the international SAARC region for the Best Presented Accounts. This top award was for the third time, being the fifth year in a row that the Company won top or ranking awards from SAFA.

The Company also maintained its first position for the “Corporate Printing & Designing Award 2007”, organized by the National Council of Culture and Arts, Karachi (NCCA).

The Karachi Stock Exchange of Pakistan declared the Company's position as the fifth best amongst the “Top Twenty Five Companies” listed on the Karachi Stock Exchange. This is the fourteenth successive year for the Company to be ranked among the top companies on the exchange.

Governance & Corporate Culture

The Board believes in transparency of information for shareholders and investors. This means accuracy and reliability of financial and other reporting framework, effective internal control principles including risk management, setting of targets, planning and monitoring of Company operations and performance under direct and indirect supervision through delegated authorities. This is considered necessary to achieve the Board's objective and encourage effective participation of the shareholders in general meetings.

Establishing an effective ethics and compliance framework is fundamental for a good corporate citizen. Integrity, avoidance/management of conflict of interest, confidentiality, fair dealing by all employees with the company's customers, suppliers and other stakeholders and promotion of an atmosphere of healthy competition amongst employees and business partners are considered essential.

The Company has developed and framed “Core Values”, “Standard of Conduct for Directors”, “Standard of Conduct for Employees”, and, “Policy Statement of Ethics and Business Practices” in conformity with the Code of Corporate Governance of Pakistan. These standards are regularly reviewed and updated to ensure effectiveness and relevance over time and are applicable to all who form part of the Company.

Lt Gen Hamid Rab Nawaz, HI(M) (Retired) presiding BOD meeting at Casablanca - Moroco

Responsibilities of the BOD

The Board acknowledges the significance of efficient discharge of duties imposed by corporate law and stands firmly committed in its objective to add value through effective participation and contribution towards achievement of Company's business objectives.

The Board further recognizes its responsibilities for protection and efficient utilization of Company assets for legitimate business objectives and compliance with laws & regulations at all Company levels.

A formal schedule of responsibilities has been specifically ordained for the Board by virtue of provisions of the Articles of Association of the Company, the Companies Ordinance 1984, the Code of Corporate Governance and other applicable regulations.

The Board has devised formal policies related to procurement of goods and services, marketing, terms of credit and discount, acquisition and disposal of fixed assets, write-off of inventories, bad debts, loans and advances, investments and disinvestments of funds with maturity period exceeding six months, borrowings, donations, charities, delegation of financial powers, transactions with related parties, loans and advances, human resource management including succession planning, performance evaluation of the management, health, safety and environment, etc.

As part of its duties, the Board undertakes reviews and approval of financial results before publication, review of minutes of Board Committee meetings, status and implications of any law suit or proceedings of material nature, ensuring protection of environment, monitoring joint venture activities.

The Board further carries out reviews of agreements with distributors, agents, reviewing minutes of Board meetings of the subsidiary company, ensuring remittance of dividends, prompt share transfer, disputes with labour and their proposed solutions/agreements with the Collective Bargaining Agent and updates on promulgation or amendment of laws, rules or regulations.

Training of BOD

Training of the Board regarding duties and responsibilities, structures of the board committees and management, their relationship with each other and the ethics and compliance framework of the Company is undertaken on regular basis through an effective Orientation Program.

Structure of BOD

The Company encourages effective representation of all stakeholders including minority interests. The Board members are knowledgeable, experienced and are required to have in-depth understanding of the current and evolving issues of the business. They also review and monitor Company's performance and report the facts to retain shareholders' confidence.

The Board comprises thirteen Directors including the Chairman and the Chief Executive and four independent non-executive Directors representing equity interest by financial institution. Interests of the general public and the Government are represented by one non-executive Director each. These Directors have been nominated through resolutions of Boards of respective institutions. Six non-executive Directors including the Chairman represent the sponsoring entity Fauji Foundation, in addition to the Chief Executive who is the only executive member in the group.

All the Directors are appointed for a term of three years on completion of which they are eligible for re-election under the Articles of Association of the Company through a formal election process. Consent to act as Director is obtained from each Director prior to election and the minority shareholders are encouraged to nominate their representative.

No Director is a member of any stock exchange or engaged in the business of stock brokerage. They are not involved in external audit or have had no relationship with the external auditors of the Company during the preceding two years. The members do not share any relationship other than that of fellow colleagues on the Board. Remuneration of the Board, including the Chief Executive, is disclosed in Note 35 to the Financial Statements, which has been determined under provisions of the Articles of Association of the Company.

Farewell

The Board places on record its appreciation for the leadership and invaluable services rendered by Lt. Gen. Syed Arif Hassan HI(M), (Retired), the outgoing Chairman, who has contributed immensely to the fortunes of the Company during his three year term.

The Board welcomes Lt. Gen. Hamid Rab Nawaz HI(M), (Retired) as the new Chairman of the Board and pledges full support for execution of his duties.

The Board also acknowledges the contribution of the retiring Directors Mr. Khawar Saeed, Mr. Kamal Afsar and Mr. Mohsin Raza and welcomes their replacements Mr. Shahid Aziz Siddiqi, Mr. Shahid Anwar Khan and Mr. Amir Tariq Zaman Khan as fellow Board members.

Role and Responsibilities of the Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are segregated and they have distinct responsibilities.

Chairman of the BOD has responsibilities and powers vested in him by law and the Articles of Association of the Company, as well as duties assigned to him by the Board. In particular, the Chairman co-ordinates the activities of the Directors and various committees of the Board, and presides over the meetings of the BOD and shareholders.

Managing Director is the Chief Executive Officer and is responsible for the operations of the Company and conduct of its business, in accordance with the powers vested in him by law, the Articles of Association of the Company and authorities delegated to him through a General Power of Attorney and BOD resolutions from time to time. Managing Director recommends policy and strategic direction and Annual Business Plan for BOD approval and is responsible for exercising the overall control, discretion, administration and supervision for sound and efficient management and conduct of the business of the Company.

Meetings of BOD

The Board held five meetings during the year. The Chairman ensured that minutes of meetings were appropriately recorded and circulated within 30 days thereof. Resolutions-in-Circulation were obtained for urgent matters, ratified through resolutions in subsequent meetings.

The quorum for meetings stipulated by the Articles of Association provides for not less than one-third of their number or four directors, whichever is higher. The Directors did not have any interest in contracts involving the Company.

The CFO and the Company Secretary attended the meetings of the Board in the capacity of non directors without voting entitlements as required by the Code of Corporate Governance.

Board Committees

Audit Committee

Terms of reference of the Audit Committee have been drawn up by the Board in compliance with listing regulations and the Board acts in accordance with the recommendations of the Committee on matters forming part of Committee responsibilities.

The Committee conducted the following business during the year, in addition to ensuring compliance with the Code of Corporate Governance:

- Review of matters relating to the Company's annual business plans, cash flow projections, long term plans, capital & revenue budgets along with variance analyses, financial reporting including review of quarterly, half-yearly and annual financial statements, monitoring compliance with applicable accounting standards and review of financial and non-financial publications

- The scope of the internal audit function, including powers and responsibilities forming part of its charter. Ensuring accessibility of the Committee and its Chairman to the Head of the function and administrative control by the Chief Executive

- Extending assistance to the Board in reviewing, approving and monitoring effective compliance with the Company's mission, vision, corporate strategy & objectives, core values and standard of conduct

- Review of operational, financial, compliance and risk management policies, instituting special projects, value for money studies and other investigations specified by the Board

- Holding of separate meetings with the CFO, Head of Internal Audit and the External Auditors as required under the listing regulations to discuss issues of concern.

The Committee comprises five non-executive members of the Board. The Chairman is an independent non-executive Director. All employees of the Company have access to the Committee.


Participants of Basic Marketing Training Course


Annual Marketing Conference

The Committee met five times during 2008.

Minutes of meetings are drawn up expeditiously and circulated for the information and consideration of the Board in the immediately succeeding Board meeting.

Human Resources Committee

The Committee comprises three members including the Chairman who are appointed by the Board from the non-executive Directors. The Committee held seven meetings during the year on as required/directed basis to assist the Board in the evaluation and approval of employee benefit plans, welfare projects, Good Performance Awards, 10 C Bonuses, Maintenance Of Industrial Peace Incentives (MOIPI) and financial packages as per the Collective Bargaining Agent (CBA) agreements, Long Terms Service Awards Policy, Safety Awards for safe plant operations and to recommend actions deemed fair and necessary to attract and retain talented staff.
The Chief Executive and other Management employees are invited to attend meetings where required for discussion and suggestions. The members of the Committee also attend the general meetings of the shareholders.

Retirement Benefit Plans

Company Retirement Benefit Plans including gratuity, pension and provident funds were valued at Rs. 3,249 million, registering a growth of Rs. 439 million over last year. The valuation is based on actuarial reports, assumptions and funding recommendations.

System and Technology Committee

The Committee has been entrusted the role to review and recommend information technology proposals suggested by Management, promote awareness of all stakeholders on needs for investment in Technology and related research work, review and assess Company systems and procedures, recommend proposals on technological innovations including plant up-gradation, technology improvements etc. with relevant cost benefit analysis.

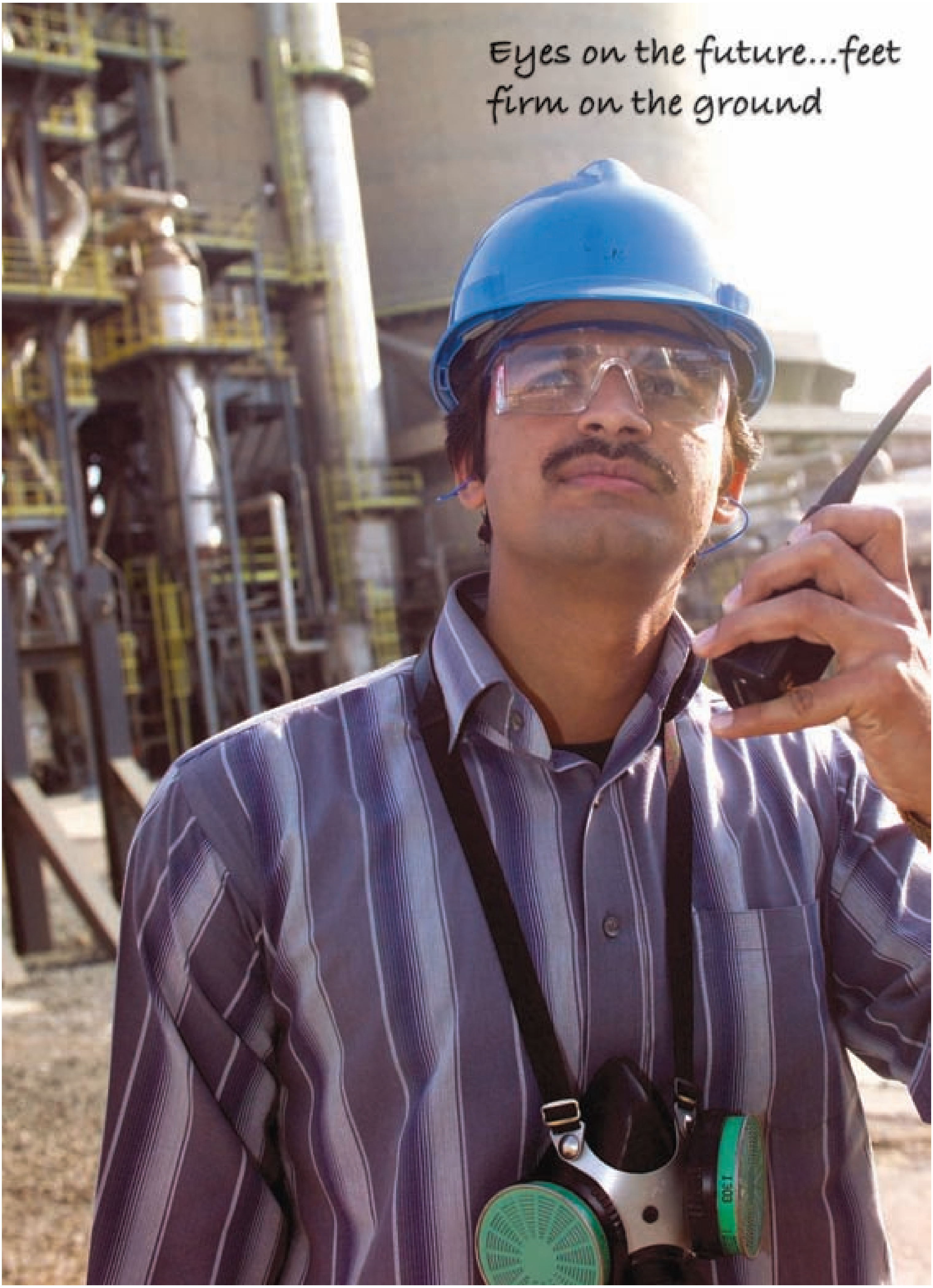
Other responsibilities include keeping abreast with continuous improvements in technological advancements, implementation in manufacturing, marketing and at administrative levels with periodic review and promotion of awareness of all stakeholders regarding the need for investment in fertilizer / information technologies, review of proposals and recommendations to the Board.

The Committee held three meetings during the year and consists of three members including the Chairman from the non-executive Directors of the Board.

Projects Diversification Committee

This Committee consists of four members of the Board and meets on required / directed basis to evaluate and discuss feasibilities for potential projects and new avenues for diversified investment of Company resources.

The Committee presents its findings for Board's review and seeks approval for acquisition or expansion involving attractive returns, satisfactory growth and success potential.


Eyes on the future...feet firm on the ground

Management and its Committees

Management comprises heads of various functions who operate under powers and limits delegated by the Chief Executive and the Board for ensuring smooth operations and achieving the objectives under strategies adopted by the Board.

These objectives include manufacturing and marketing of fertilizers, identification of potential operational, market and business risks, implementation of effective budgetary controls for preparation of annual business plans/cash forecasts, monitoring control and reporting deviations thereof, procurement of goods and services, approving transactions under delegated financial powers, flow of quality and timely information between the Management and the Board to facilitate the decision making process.

Executive Committee

This Committee conducts its business under the chairmanship of the Chief Executive with seven members from Management.

The Committee is entrusted with the tasks to review Company operations on an ongoing basis, establishing adequacy of Company operational, administrative and control policies adopted by the Board and monitoring compliance thereof. The Committee is also responsible for receiving feedback from different operational functions, preparing comprehensive agendas and feasibilities for matters requiring Board's approval and for dealing on the Board's behalf with matters of an urgent nature when the Board of Directors is not in session, in addition to other duties delegated by the Board.

Business Development Committee

This Committee is chaired by the Chief Executive with four members from the Management of the Company. Meetings are held on requirement basis for identification and management of risks and overseeing Plants operations etc.

The Committee is also responsible for staying abreast of developments and trends in the Industry to assist the Board in planning for future capital intensive investments and growth of the Company in addition to other duties delegated to it by the Board.

Contribution to Society

We are committed to being Pakistan's premier corporate citizen, giving where we live. Rs. 36 million were contributed during 2008 towards various welfare and social activities directly or through institutions and societies.

Sona Welfare Hospital administered by Mirpur Mathelo continued to provide primary health care facilities to the local community with daily treatment of around 90 patients. 15 free medical camps were organized in surrounding villages of Mirpur Mathelo where 300 to 500 patients per camp received expert medical advice and free medicine. In addition, the Coronary Care Unit near Mirpur Mathelo was also formally inaugurated by the Chief Executive in February 2008. Hazrat Bilal Trust Hospital at Goth Machhi also continued to provide treatment to the surrounding community.

Various activities were arranged in FFC adopted schools in communities surrounding both the Goth Machhi and Mirpur Mathelo Complexes, in addition to fun fairs and sports activities. Workshops were conducted on 'Effective Learning Strategies, Group Management & Result Based Planning & Assessment' and a team of FFC doctors and paramedical staff visited 3 schools adopted by the Goth Machhi Complex, to hand-over first aid boxes donated by FFC Medical Centre. Sona Public School supervised by the Mirpur Mathelo administration has successfully completed its first year and has received overwhelming response from the community.

Separate fun fairs were also arranged by Goth Machhi and Mirpur Mathelo plantsites for community entertainment and collection of funds for welfare of the surrounding community.

Free of cost services and agrarian solutions valued at Rs. 5.86 million were provided to our farming community through five FFC Farm Advisory Centres and Technical Services Officers including special farmers meetings, group discussions, demo plots, experiments, field days, soil/water tests, technical crop literature and documentary films etc.

Serving the Industry

FFC is committed to enhance the industrial output of the Country through sharing of its expertise, knowledge and results of R&D activities with the industrial sector for overall economic growth. Our Technical Training Center at Goth Machhi continued to extend customized training services to the industrial sector including OMV Pakistan Ltd, Unilever Pak Ltd. and KAFACO, Bangladesh in addition to introduction of several new courses on management and technical skill improvement for some organizations.

Health, Safety & Environment

Our operations are based on an integrated "Safety First" motto which extends beyond our workplace to all who are impacted by our actions including the community we live in, the environment that serves as the base of our existence and even our customers and other business partners. We have, accordingly, developed stringent policies for the health and safety of the FFC Community.

We have acquired various certifications for safety and quality including regular conduct of Surveillance Audit of the Quality, Occupational Health & Safety and Environmental Management Systems which was performed by Bureau Veritas Certification [BVC] in 2008, for which we qualified with no non-conformity. The Goth Machhi Complex also received appreciation from the Auditors regarding dedication of the whole plantsite team for effective implementation of the Integrated Management Systems.

Safety objective "No Injury, No Fire" was successfully accomplished in the maintenance turnaround 2008 of Plant-II and was declared the safest in FFC history. Accomplishment of Zero injury objective for the first time in history of FFC has raised our Safety Standards to a

new height. The Goth Machhi complex attained 10.24 million safe man-hours by the end of 2008. Safety audits based on DuPont approach and OSHA standards are also being regularly conducted.

Safety culture was promoted at the Mirpur Mathelo Plantsite through training sessions, safety talks, fire fighting competitions and regular audits. Turnaround 2008 was a challenge with respect to safe implementation of mega DBN project. The task was accomplished successfully without any major accident and injury. Safe man-hours of 5.96 million have been accomplished by Mirpur Mathelo Plantsite. Special emphasis was

also given on safety awareness and culture among contractor employees.

Ammonia Flare System was installed at the local vent of ammonia storage tank at Goth Machhi to incinerate vented ammonia vapors to stringently control cooling water quality as required by the new phosphate based cooling water treatment system. The flare system was successfully commissioned in April 2008. This not only ensures consistent cooling water quality but will also help to minimize environmental pollution, being our commitment as an ISO-14001 certified Company.

Cooling tower blow-down water from both the Plants is being used for horticulture after switching of cooling water treatment to environment friendly phosphate based system. Blow-down water flow is around 220 m3/hr [1.4 MGPD], which was earlier drained. This project has not only reduced load on our water resources but will also help to improve the green environment of the complex.

Our Team

FFC encourages an enthusiastic and spirited work culture and we have, therefore, created an environment of mutual respect and commitment. We have ensured that all FFC team members are aware of their corporate and social responsibilities through our framework of ethics and values, to promote FFC's reputation as a model corporate citizen. The Company continues to focus on enhancing Management and leadership skills in addition to awareness of advancements in the technological and commercial environment through seminars and training in-house and abroad. Our employee relations framework provides a healthy and conducive environment for our employees and their families in addition to respect of labour rights. Renovation and construction work at townships remain in full swing with construction completion of FFC schools' examination hall, vocational center, horticulture office building and Staff hostel consisting of 52 rooms. Educational facilities have been extended to employees' children at the Plantsites through onsite schools. Regular specialized coaching of teachers at these schools is conducted to update their teaching skills. Student Leadership Program has been launched with the aim to provide leadership experience to students.

The Way Forward

As we move forward, we are certain to face competition and challenges due to economic volatility and changing market conditions. Based on our strengths, the Board is confident that the Company will continue to maintain market leadership through enhanced productivity, diversification and cost effective operations to augment shareholders' returns.

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

Casablanca - Morocco
January 29, 2009

The Audit Committee has concluded its annual review of the conduct and operations of the Company during 2008, and reports that:

- The Company has adhered in full, without any material departure, with the mandatory and voluntary provisions of the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan, Company's statements on ethics, values, codes of conduct and the international best practices of Governance throughout the year, and the Company did not engage in any activities in contravention of any applicable law or regulation.

- Understanding and compliance with Company codes and policies has been affirmed by the members of the Board, the Management and employees of the Company individually. Equitable treatment of shareholders has also been ensured.

- The Company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the Auditors of the Company.

- Appropriate accounting policies have been consistently applied. All core & other applicable International Accounting Standards were followed in preparation of financial statements of the Company and consolidated financial statements on a going concern basis, for the financial year ended December 31, 2008, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equities of the Company and its subsidiary for the year under review.

- The Chief Executive and the CFO have reviewed the financial statements of the Company, consolidated financial statements and the Directors' Report. They acknowledge their responsibility for true and fair presentation of the Company's financial condition and results, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.

- Accounting estimates are based on reasonable and prudent judgment. Proper and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984. The financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984 and the external reporting is consistent with Management processes and adequate for shareholder needs.

- All Directors have access to the Company Secretary. All direct or indirect trading and holdings of Company's shares by Directors & executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction which were notified by the Company Secretary to the Board within the stipulated time. All such holdings have been disclosed in the Pattern of Shareholdings. The Annual Secretarial Compliance Certificates are being filed regularly within stipulated time.

- Closed periods were duly determined and announced by the Company, precluding the Directors, the Chief Executive and executives of the Company from dealing in Company shares, prior to each Board meeting involving announcement of interim/final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

INTERNAL AUDIT

- The internal control framework has been effectively implemented through an independent in-house Internal Audit function established by the Board which is independent of the External Audit function

- The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and adequacy

- The Audit Committee has ensured the achievement of operational, compliance, risk management, financial reporting and control objectives, safeguarding of the assets of the Company and the shareholders wealth at all levels within the Company

- The Internal Audit function has carried out its duties under the charter defined by the Committee. The Committee has reviewed material Internal Audit findings, taking appropriate action or bringing the matters to the Board's attention where required.

- The Head of Internal Audit has direct access to the Chairman of the Audit Committee and the Committee has ensured staffing of personnel with sufficient internal audit acumen and that the function has all necessary access to Management and the right to seek information and explanations.

- Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

EXTERNAL AUDITORS

- The statutory Auditors of the Company, M/s KPMG Taseer Hadi & Company, Chartered Accountants, have completed their Audit assignment of the "Company's Financial Statements", the "Consolidated Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the financial year ended December 31, 2008 and shall retire on the conclusion of the 31st Annual General Meeting.

- The Audit Committee has reviewed and discussed Audit observations and Draft Audit Management Letter with the External Auditors. Final Management Letter is required to be submitted within 30 days of the date of the Auditors' Report on financial statements under the listing regulations and shall therefore accordingly be discussed in the next Audit Committee Meeting. Audit observations for interim review were also discussed with the Auditors.

- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the General Meetings of the Company during the year and have confirmed attendance of the 31st Annual General Meeting scheduled for February 27, 2009 and have indicated their willingness to continue as Auditors.

- As allowed by the Code of Corporate Governance, M/s KPMG Taseer Hadi & Company has confirmed rotation of Partner in Charge of FFC Audit for 2009. Being eligible for reappointment as Auditors of the Company, the Audit Committee recommends their reappointment for the financial year ending December 31, 2009 at same Audit Fee as for 2008.

- The Firm has no financial or other relationship of any kind with the Company except that of External Auditors.

Tariq Iqbal Khan
Chairman - Audit Committee

Rawalpindi
January 24, 2009

Financial Statements

FAUJI FERTILIZER COMPANY LIMITED

2008

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

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least 4 independent non-executive directors, 1 executive director, 1 director representing minority shareholders and one representing the interest of the Government of Pakistan.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, except Mr.Tariq Iqbal Khan for whom relaxation has been obtained by NIT and communicated to us vide NIT letter No. NIT/CG-08/FFCL/0319 dated November 06, 2008.

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

4. Casual vacancies occurred in the Board during the year 2008 were filled up within 30 days of occurrence.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

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

9. The Board arranged one orientation course for its directors during the year 2008 to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

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

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

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

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

15. The Board has formed an audit committee. It comprises five members, who all are non-executive directors including the chairman of the committee.

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

17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.

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

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

20. The Karachi Stock Exchange has notified additional provisions in the Code of Corporate Governance regarding "Related Party Transactions", vide Notification No. KSE/N-269 dated January 19, 2009, which shall be duly catered for in the financial year 2009 and onwards.

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

Lt Gen Munir Hafiez, HI(M) (Retired)
Chief Executive & Managing Director

January 29, 2009
Casablanca - Morocco

We have reviewed the Directors' Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Fauji Fertilizer Company Limited, ("the Company") to comply with the Listing Regulation No. 36, 37 and Chapter VIII of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2008.

Islamabad
January 29, 2009

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

We have audited the annexed balance sheet of Fauji Fertilizer Company Limited ("the Company") as at December 31, 2008 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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, 2008 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 29, 2009

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

	Note	2008 (Rupees '000)	2007 (Rupees '000)
SHARE CAPITAL AND RESERVES			
Share capital	4	4,934,742	4,934,742
Capital reserve	5	160,000	160,000
Revenue reserves	6	7,190,471	7,635,303
		12,285,213	12,730,045
NON CURRENT LIABILITIES	7	5,378,214	2,671,250
DEFERRED TAXATION	8	2,431,895	2,363,526
CURRENT LIABILITIES			
Trade and other payables	9	5,993,674	5,815,276
Interest and mark - up accrued	11	194,570	184,430
Short term borrowings	12	3,114,000	3,141,081
Current portion of long term financing	7	743,036	1,022,500
Taxation		1,778,361	1,313,106
		11,823,641	11,476,393
		31,918,963	29,241,214
CONTINGENCIES AND COMMITMENTS	13		

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

	Note	2008 (Rupees '000)	2007 (Rupees '000)
PROPERTY, PLANT AND EQUIPMENT	14	12,730,813	10,390,490
GOODWILL	15	1,569,234	1,569,234
LONG TERM INVESTMENTS	16	7,744,779	6,325,129
LONG TERM LOANS AND ADVANCES	17	163,102	142,782
LONG TERM DEPOSITS AND PREPAYMENTS	18	1,524	2,144
CURRENT ASSETS			
Stores, spares and loose tools	19	3,034,268	2,407,988
Stock in trade	20	258,094	642,836
Trade debts	21	495,929	1,722,602
Loans and advances	22	136,944	83,917
Deposits and prepayments	23	107,369	33,665
Other receivables	24	1,233,479	1,542,763
Short term investments	25	3,511,563	3,027,664
Cash and bank balances	26	931,865	1,350,000
		9,709,511	10,811,435
		31,918,963	29,241,214

Chairman

Chief Executive

Director

Profit and Loss Account
for the year ended December 31, 2008

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Sales	27	30,592,806	28,429,005
Cost of sales	28	18,234,692	18,311,525
GROSS PROFIT		12,358,114	10,117,480
Distribution cost	29	2,668,571	2,418,793
		9,689,543	7,698,687
Finance cost	30	695,371	703,612
Other expenses	31	895,647	845,327
		8,098,525	6,149,748
Other income	32	1,942,558	1,665,205
NET PROFIT BEFORE TAXATION		10,041,083	7,814,953
Provision for taxation	33	3,516,000	2,454,000
NET PROFIT AFTER TAXATION		6,525,083	5,360,953
Earnings per share - basic and diluted (Rupees)	34	13.22	10.86

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, 2008

	Note	2008 (Rupees '000)	2007 (Rupees '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	13,067,512	9,641,517
Finance cost paid		(685,231)	(653,221)
Income tax paid		(2,952,745)	(2,497,500)
Payment to gratuity fund		(50,327)	(44,592)
Payment to pension fund		(44,530)	(35,472)
Payment to Workers' Welfare Fund		(151,813)	(122,139)
Payment to Workers' Profit Participation Fund		(1,016,952)	(374,992)
Net cash generated from operating activities		8,165,914	5,913,601
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,234,087)	(1,611,784)
Proceeds from sale of property, plant and equipment		11,173	8,983
Interest received		314,586	273,572
Investment in Fauji Cement Company Limited		(1,500,000)	–
Decrease/(increase) in other investments		367,825	(457,901)
Dividends received		797,516	1,336,139
Net cash used in investing activities		(3,242,987)	(450,991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing – disbursements		3,450,000	2,600,000
– repayments		(1,022,500)	(987,327)
Decrease in short term borrowings		(2,931,081)	(1,146,473)
Dividends paid		(7,025,915)	(5,976,382)
Net cash used in financing activities		(7,529,496)	(5,510,182)
Net decrease in cash and cash equivalents		(2,606,569)	(47,572)
Cash and cash equivalents at beginning of the year		3,344,262	3,384,668
Effect of exchange rate changes		2,236	7,166
Cash and cash equivalents at end of the year	37	739,929	3,344,262

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

Chairman

Chief Executive

Director

	Share capital	Capital reserve	Revenue reserves: Surplus/(deficit) on remeasurement of investments available for sale to fair value	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit	Total
			(Rupees '000)			
Balance as at December 31, 2006	4,934,742	160,000	–	6,190,000	1,671,801	12,956,543
Surplus on remeasurement to fair value - net of tax	–	–	38,154	–	–	38,154
Transfer from general reserve	–	–	–	(250,000)	250,000	–
Total income recognised directly in equity	–	–	38,154	(250,000)	250,000	38,154
Net profit for the year ended December 31, 2007	–	–	–	–	5,360,953	5,360,953
Total recognised income and expense for the year	–	–	38,154	(250,000)	5,610,953	5,399,107
Dividends:						
Final dividend 2006: Rs 3.90 per share	–	–	–	–	(1,924,549)	(1,924,549)
First interim 2007: Rs 2.5 per share	–	–	–	–	(1,233,685)	(1,233,685)
Second interim 2007: Rs 2.25 per share	–	–	–	–	(1,110,317)	(1,110,317)
Third interim 2007: Rs 2.75 per share	–	–	–	–	(1,357,054)	(1,357,054)
Balance as at December 31, 2007	4,934,742	160,000	38,154	5,940,000	1,657,149	12,730,045
Deficit on remeasurement to fair value - net of tax	–	–	(61,275)	–	–	(61,275)
Transfer from general reserve	–	–	–	(100,000)	100,000	–
Total income and expense recognised directly in equity	–	–	(61,275)	(100,000)	100,000	(61,275)
Net profit for the year ended December 31, 2008	–	–	–	–	6,525,083	6,525,083
Total recognised income and expense for the year	–	–	(61,275)	(100,000)	6,625,083	6,463,808
Dividends:						
Final dividend 2007: Rs 3.50 per share	–	–	–	–	(1,727,160)	(1,727,160)
First interim 2008: Rs 3.50 per share	–	–	–	–	(1,727,160)	(1,727,160)
Second interim 2008: Rs 3.00 per share	–	–	–	–	(1,480,423)	(1,480,423)
Third interim 2008: Rs 4.00 per share	–	–	–	–	(1,973,897)	(1,973,897)
Balance as at December 31, 2008	4,934,742	160,000	(23,121)	5,840,000	1,373,592	12,285,213

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 Company Limited ("the Company") is a public company incorporated in Pakistan under the Companies Act, 1913, (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered office of the Company is situated at 93 Harley Street, Rawalpindi, Pakistan. The Company is domiciled in Rawalpindi. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizer, chemical and other manufacturing operations.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting 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.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that investments available for sale and held for trading investments are measured at their fair values. The identifiable assets and liabilities of Pak Saudi Fertilizers Limited (PSFL) have been measured at their fair value on acquisition.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

3. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are set out below which have been consistently applied:

3.1 Retirement benefits

a) The Company has the following plans for its employees:

Funded Gratuity Scheme

Defined benefit funded gratuity for all eligible employees who complete qualifying period of service and age.

Funded Pension Scheme

Defined benefit funded pension for all eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 10 to the financial statements. All contributions are charged to profit and loss account for the year. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised over the average remaining service life of the employees.

Gratuity and pension contributions require assumptions to be made of future outcomes which mainly include increase in remuneration, 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.

Contributory Provident Fund

Defined contributory provident fund for all eligible employees for which the Company's contributions are charged to profit and loss account.

b) Compensated absences

The Company has the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the financial statements.

3.2 Taxation

Provision for current taxation is based on taxable income at the applicable rates of taxation after taking into account tax credits and tax rebates, if any.

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable 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 taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is not recognised for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted.

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 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.

3.3 Property, plant and equipment and capital work in progress

Property, plant and equipment including those acquired on PSFL acquisition, are stated at cost less accumulated depreciation except freehold land and capital work in progress, which are stated at cost. Cost comprises acquisition and other directly attributable costs. Property, plant and equipment acquired on PSFL acquisition are stated at their cost to the Company, which represents their fair value on acquisition, less accumulated depreciation.

Depreciation is provided on a straight-line basis 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 14. 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.

Maintenance and repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in profit and loss account currently.

The Company reviews the useful life 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 equipment with a corresponding effect on depreciation charge.

3.4 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. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For non-financial assets and available-for-sale financial assets that are debt securities, the reversal is recognised in profit and loss account. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

3.5 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognised as goodwill and thereafter tested for impairment annually. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

3.6 Investments

3.6.1 Investment in subsidiary

Investments in subsidiaries are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account.

3.6.2 Investment in associate and jointly controlled entity

Investments in associates and jointly controlled entities are initially recognised at cost. At subsequent reporting date, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense in the profit and loss account. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in the profit and loss account.

3.6.3 Investments available for sale

These are initially recognised at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to equity until disposal at which time these are recycled to profit and loss account.

Management has determined fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate etc.) and therefore, cannot be determined with precision.

3.6.4 Investments at fair value through profit or loss – Held for trading

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

The fair value of such investments representing listed equity securities are determined on the basis of prevailing market prices. For investments in income funds where the prices were not available at the year end, valuation was based on the last agreed redemption price.

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

3.7 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realisable value less impairment. 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, spares and loose tools. Impairment is also made for slow moving and/or items identified as surplus to the Company's requirement.

3.8 Stock in trade

Stocks are valued at the lower of cost and net realisable value.

Cost is determined as follows:

Raw materials	at weighted average purchase cost
Work in process and finished goods	at weighted average cost of purchases, raw materials and applicable manufacturing expenses

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

3.9 Foreign currencies

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.

3.10 Revenue recognition

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. Return on bank deposits, investments and interest on loans is accounted for on a time proportion basis using the applicable rate of return/ interest. Scrap sales and miscellaneous receipts are recognised on realised amounts. Commission on sale of the subsidiary company products is recognised when such products are sold on its behalf. Dividend income is recognized when right to receive the payment is established.

3.11 Borrowing costs

Borrowing costs incurred upto the date of commencement of commercial production are capitalised. All other borrowing costs are recognised as an expense in the period in which these are incurred.

3.12 Research and development costs

Research and development costs are charged to income as and when incurred.

3.13 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 can be made of the amount of obligation.

3.14 Basis of allocation of common expenses

Selling and distribution expenses are allocated to the subsidiary company, in proportion to the sales volume handled on its behalf under the Inter Company Services Agreement.

3.15 Fertilizer subsidy for farmers

Subsidy on potassic and phosphatic fertilizers announced by the GOP for farmers is recognized in the profit and loss account by adjusting the amount of subsidy against the related cost of purchase on a systematic basis in the same period in which these costs are incurred.

3.16 Dividend and reserve appropriation

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognised in the year in which it is approved.

3.17 Mark-up bearing borrowings

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

3.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term running finances and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

3.19 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to offset the recognised amounts and the Company intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

3.20 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortised cost respectively. The Company derecognises the financial assets and liabilities when it ceases to be a party to such contractual provisions of the instruments. The Company recognises the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

b) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount/cost less an allowance for any uncollectible amounts. 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.

3.21 Operating leases

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the term of the relevant lease.

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

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

Revised IAS 1 - Presentation of financial statements	(effective 1 January 2009)
Revised IAS 23 - Borrowing costs	(effective 1 January 2009)
Amended IAS 27 - Consolidated and Separate Financial Statements	(effective 1 July 2009)
IAS 29 - Financial Reporting in Hyperinflationary Economies	(effective 28 April 2008)
Amendments to IAS 32 - Financial instruments	(effective 1 January 2009)
Amendments to IAS 39 - Financial Instruments: Recognition and Measurement	(effective 1 July 2009)
Amendment to IFRS 2 - Share-based Payment	(effective 1 January 2009)
Revised IFRS 3 - Business Combinations	(effective 1 July 2009)
IFRS 7 - Financial Instruments: Presentation	(effective 28 April 2008)
IFRS 8 - Operating Segments	(effective 28 April 2008)
IFRIC 13 - Customer Loyalty Programmes	(effective 01 July 2008)
IFRIC 15 - Agreement for the Construction of Real Estate.	(effective 01 January 2008)
IFRIC 16 - Hedge of Net Investment in a Foreign Operation	(effective 1 October 2008)
IFRIC 17- Distribution of Non-Cash Assets to Owners	(effective 1 July 2009)

The IASB's annual improvements project published in May 2008, contains a number of amendments which would generally be applicable for financial periods beginning on or after 1 January 2009. These amendments extend to 35 standards and include changes in terminology and accounting requirements.

		2008 (Rupees '000)	2007 (Rupees '000)
4. SHARE CAPITAL			
ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
Numbers			
256,495,902	Ordinary shares of Rs 10 each issued for consideration in cash.	2,564,959	2,564,959
236,978,328	Ordinary shares of Rs 10 each issued as fully paid bonus shares.	2,369,783	2,369,783
493,474,230		4,934,742	4,934,742

AUTHORISED SHARE CAPITAL

This represents 500,000,000 (2007: 500,000,000) ordinary shares of Rs 10 each amounting to Rs 5,000,000 thousand.

4.1 Fauji Foundation held 44.35% (2007: 44.35%) ordinary shares of the Company at the year end.

	Note	2008 (Rupees '000)	2007 (Rupees '000)
5. CAPITAL RESERVE			
Share premium	5.1	40,000	40,000
Capital redemption reserve	5.2	120,000	120,000
		160,000	160,000

5.1 Share premium

This represents premium of Rs 5 per share received on public issue of 8,000,000 ordinary shares of Rs 10 each in 1991.

5.2 Capital redemption reserve

This represents reserve setup on redemption of preference shares of Rs 120,000 thousand in 1996.

	2008 (Rupees '000)	2007 (Rupees '000)
6. REVENUE RESERVES		
(Deficit) / surplus on remeasurement of available for sale investments to fair value - net of tax	(23,121)	38,154
General reserve	5,840,000	5,940,000
Unappropriated profit	1,373,592	1,657,149
	7,190,471	7,635,303

		Note	2008 (Rupees '000)	2007 (Rupees '000)
7.	**NON CURRENT LIABILITIES**			
	This represents secured long term financing from the following:			
	Loans from banking companies	7.1		
i)	Habib Bank Limited (HBL – 1)	7.1.1	375,000	500,000
ii)	United Bank Limited (UBL – 1)	7.1.1	800,000	800,000
iii)	Bank Al–Falah Limited (BAFL)	7.1.1	406,250	500,000
iv)	Standard Chartered Bank (Pakistan) Limited (SCB)	7.1.1	450,000	500,000
v)	National Bank of Pakistan (NBP – 1)	7.1.1	400,000	400,000
vi)	Saudi Pak Commercial Bank Limited (SPCB – 1)	7.1.1	120,000	150,000
vii)	Saudi Pak Commercial Bank Limited (SPCB – 2)	7.1.1	120,000	150,000
viii)	National Bank of Pakistan (NBP – 2)	7.1.1	500,000	–
ix)	Faysal Bank Limited (FBL)	7.1.1	400,000	–
x)	Habib Bank Limited (HBL – 2)	7.1.1	400,000	–
xi)	Bank Islami Limited (BIL)	7.1.1	250,000	–
xii)	Al–Baraka Islamic Bank Limited (AIBL)	7.1.1	300,000	–
xiii)	Dubai Islamic Bank (DIB)	7.1.1	300,000	–
xiv)	Meezan Bank Limited (MBL)	7.1.1	500,000	–
xv)	MCB Bank Limited (MCB)	7.1.1	300,000	–
xvi)	Habib Bank Limited (HBL – 3)	7.1.1	500,000	–
xvii)	National Bank of Pakistan (NBP – 3)	7.1.1	–	500,000
xviii)	Askari Bank Limited (AKBL)	7.1.1	–	100,000
xix)	Habib Bank Limited (HBL – 4)	7.1.2	–	93,750
			6,121,250	3,693,750
	Less: Current portion shown under current liabilities		743,036	1,022,500
			5,378,214	2,671,250

7.1 Terms and conditions of these loans are given below:

	Lenders	Mark–up rate p.a. (%)	No. of instalments outstanding	Date of final repayment
i)	HBL - 1	6 months' KIBOR+1.45	6 half yearly	November 30, 2011
ii)	UBL - 1	6 months' KIBOR+1.5	7 half yearly	August 30, 2012
iii)	BAFL	6 months' KIBOR+1.5	13 quarterly	March 20, 2012
iv)	SCB	6 months' KIBOR+1.3	9 half yearly	March 29, 2013
v)	NBP - 1	6 months' KIBOR+1.40	8 half yearly	August 30, 2012
vi)	SPCB - 1	6 months' KIBOR+1.5	8 half yearly	September 27, 2012
vii)	SPCB - 2	6 months' KIBOR+1.5	8 half yearly	December 28, 2012
viii)	NBP - 2	6 months' KIBOR+1	12 half yearly	September 17, 2015
ix)	FBL	6 months' KIBOR+1	10 half yearly	September 26, 2014
x)	HBL - 2	6 months' KIBOR+1	8 half yearly	September 29, 2013
xi)	BIL	6 months' KIBOR+1	8 half yearly	June 30, 2013
xii)	AIBL	6 months' KIBOR+1	12 half yearly	June 27, 2015
xiii)	DIB	6 months' KIBOR+1	10 half yearly	June 30, 2015
xiv)	MBL	6 months' KIBOR+0.96	8 half yearly	March 28, 2013
xv)	MCB	6 months' KIBOR+1	10 half yearly	June 30, 2015
xvi)	HBL - 3	6 months' KIBOR+0.45	On maturity	June 20, 2010
xvii)	NBP - 3	6 months' KIBOR+0.50	Fully repaid	May 31, 2008
xviii)	AKBL	6 months' KIBOR+0.4	Fully repaid	December 30, 2008
xix)	HBL - 4	6 months' Treasury Bill rate+1.3	Fully repaid	May 30, 2008

7.1.1 Finances (i) through (xviii) have been obtained to meet the debottle-necking, investment and other capital expenditure requirements of the Company. Finances (i) to (xv) are secured by an equitable mortgage on the assets and hypothecation of all assets including plant, machinery, tools and spares, and all other moveable properties of the Company including stocks and book debts ranking pari passu with each other with 25% margin. Finance (xvi) is secured against lien on Pakistan Investment Bonds having face value of Rs 500,000 thousand whereas finances (xvii) and (xviii) previously had lien on Pakistan Investment Bonds having face value of Rs 600,000 thousand were fully repaid during the year.

7.1.2 Finance (xix) was secured by an equitable mortgage on immovable assets of the Company and was obtained for the acquisition of PSFL. This has been fully repaid during the year.

	Note	2008 (Rupees '000)	2007 (Rupees '000)
8. DEFERRED TAXATION			
The balance of deferred tax is in respect of the following major temporary differences:			
Accelerated depreciation		2,505,000	2,400,000
Slow moving/surplus spares, doubtful debts, other receivables and investments		(62,000)	(55,000)
Remeasurement of investment available for sale		(11,105)	18,526
		2,431,895	2,363,526
9. TRADE AND OTHER PAYABLES			
Creditors		313,505	428,757
Accrued liabilities		1,672,602	1,168,346
Consignment account with Fauji Fertilizer Bin Qasim Limited – unsecured		413,529	67,540
Other liabilities		28,796	51,404
Sales tax payable – net		–	195,210
Deposits		113,895	89,380
Retention money		39,351	31,487
Advances from customers		2,287,069	2,167,899
Workers' Profit Participation Fund	9.1	–	426,954
Workers' Welfare Fund		601,020	552,011
Gratuity fund	10	10,162	5,268
Unclaimed dividend		513,745	631,020
		5,993,674	5,815,276
9.1 Workers' Profit Participation Fund			
Balance at beginning of the year		426,954	374,992
Allocation for the year		539,048	426,954
Payment to fund during the year		(1,016,952)	(374,992)
		(50,950)	426,954

		Funded gratuity (Rupees '000)	Funded pension (Rupees '000)	2008 Total (Rupees '000)	2007 Total (Rupees '000)
10.	RETIREMENT BENEFIT FUNDS				
a)	Reconciliation of amounts recognised in the balance sheet is as follow:				
	Present value of defined benefit obligation	854,834	928,899	1,783,733	1,553,020
	Fair value of plan assets	(611,570)	(735,717)	(1,347,287)	(1,425,951)
	Deficit	243,264	193,182	436,446	127,069
	Net actuarial losses not recognized	(233,102)	(193,182)	(426,284)	(121,801)
		10,162	–	10,162	5,268
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	736,148	816,872	1,553,020	1,299,742
	Current service cost	45,199	43,241	88,440	76,623
	Interest cost	72,995	80,659	153,654	117,503
	Benefits paid during the year	(27,934)	(21,438)	(49,372)	(47,359)
	Actuarial loss	28,426	9,565	37,991	106,511
	Present value of defined benefit obligation at end of the year	854,834	928,899	1,783,733	1,553,020
c)	The movement in fair value of plan assets is as follows:				
	Fair value of plan assets at beginning of the year	644,234	781,717	1,425,951	1,247,846
	Expected return on plan assets	64,059	79,370	143,429	112,987
	Contributions	50,327	44,530	94,857	80,064
	Benefits paid during the year	(27,934)	(21,438)	(49,372)	(47,359)
	Actuarial (loss)/gain	(119,116)	(148,462)	(267,578)	32,413
	Fair value of plan assets at end of the year	611,570	735,717	1,347,287	1,425,951
d)	Plan assets comprise of:				
	Investment in debt securities	88,311	41,901	130,212	251,332
	Term Deposit receipts	220,280	338,948	559,228	–
	Defence Saving Certificates	130,672	157,286	287,958	357,437
	Mutual Funds	48,005	66,856	114,861	98,352
	National Investment Trust Units	44,340	77,496	121,836	284,064
	Deposits with banks	80,315	56,881	137,196	435,185
	Others	(353)	(3,651)	(4,004)	(419)
		611,570	735,717	1,347,287	1,425,951

Investment in debt securities are valued on the basis of discounted cash flow method. Term deposit receipts, deposit with banks and Defence Saving Certificates are stated at amortised cost which approximates their fair value.

		Funded gratuity (Rupees '000)	Funded pension (Rupees '000)	2008 Total (Rupees '000)	2007 Total (Rupees '000)
e)	Actual return on plan assets	6,617	8,703	15,320	145,399
	Contributions expected to be paid to the plan during the next financial year	90,198	61,514	151,712	94,857

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

	Funded gratuity (Rupees '000)	Funded pension (Rupees '000)	2008 Total (Rupees '000)	2007 Total (Rupees '000)
g) Movement in liability recognised in the balance sheet:				
Opening liability	5,268	–	5,268	3,769
Expense for the year	55,221	44,530	99,751	81,563
Payments to the fund during the year	(50,327)	(44,530)	(94,857)	(80,064)
Closing liability	10,162	–	10,162	5,268
h) Amount recognised in the profit and loss account is as follows:				
Current service cost	45,199	43,241	88,440	76,623
Interest cost	72,995	80,659	153,654	117,503
Expected return on plan assets	(64,059)	(79,370)	(143,429)	(112,987)
Actuarial losses recognised	1,086	–	1,086	424
	55,221	44,530	99,751	81,563

i) Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the current year and previous four years is as follows:

	2008 (Rupees '000)	2007 (Rupees '000)	2006 (Rupees '000)	2005 (Rupees '000)	2004 (Rupees '000)
Present value of defined benefit obligation	854,834	736,148	635,237	579,589	514,777
Fair value of plan assets	(611,570)	(644,234)	(562,861)	(502,285)	(458,174)
Deficit	243,264	91,914	72,376	77,304	56,603
Experience adjustments					
- on obligations	(28,426)	(34,126)	(4,301)	(11,620)	(40,758)
- on plan assets	(119,116)	15,663	11,510	(9,471)	20,720

j) Comparison of present value of defined benefit obligation, fair value of plan assets and (surplus) / deficit of pension fund for the current year and previous four years is as follows:

	2008 (Rupees '000)	2007 (Rupees '000)	2006 (Rupees '000)	2005 (Rupees '000)	2004 (Rupees '000)
Present value of defined benefit obligation	928,899	816,872	664,505	591,310	464,935
Fair value of plan assets	(735,717)	(781,717)	(684,985)	(565,789)	(473,096)
Deficit/(surplus)	193,182	35,155	(20,480)	25,521	(8,161)
Experience adjustments					
- on obligations	(9,565)	(72,385)	3,510	(64,734)	39,866
- on plan assets	(148,462)	16,750	42,491	31,981	15,913

k) Principal actuarial assumptions used in the actuarial valuations carried out as at December 31, 2008 are as follows:

	2008		2007	
	Funded gratuity	Funded Pension	Funded gratuity	Funded Pension
Discount rate	14%	14%	10%	10%
Expected rate of salary growth	13-14%	14%	11-12%	11-12%
Expected rate of return on plan assets	14%	14%	10%	10%

l) "Salaries, wages and benefits" expense, stated in notes 28 and 29 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs. 52,447 thousand, Rs. 59,347 thousand, Rs 41,129 thousand and Rs 54,534 thousand respectively (2007: Rs 43,509 thousand, Rs. 53,347 thousand, Rs 32,915 thousand and Rs 57,073 thousand respectively). These are reduced by the amount of charges debited to Fauji Fertilizer Bin Qasim Limited under inter company services agreement.

		Note	2008 (Rupees '000)	2007 (Rupees '000)
11.	INTEREST AND MARK-UP ACCRUED			
	On long term financing		187,347	127,932
	On short term borrowings		7,223	56,498
			194,570	184,430
12.	SHORT TERM BORROWINGS - secured			
	From banking companies			
	Short term import credit		–	2,931,081
	Short term running finance	12.1	3,114,000	210,000
			3,114,000	3,141,081

12.1 Short term running finance

Short term running finance facilities are available from various banks under mark-up arrangements amounting to Rs 7,250,000 thousand (2007: Rs 7,500,000 thousand) which represent the aggregate of sale prices of all mark-up agreements between the Company and the banks. These facilities have various maturity dates upto September 10, 2009.

These are secured by first pari passu and ranking hypothecation charges of present and future current assets and fixed assets of the Company. The rates of mark-up range from one month KIBOR + 0.75% to 2.00% per annum to 3 months' KIBOR + 2.18% per annum (2007: one month KIBOR + 0.40% to 0.50% per annum to six months' KIBOR + 0.25% per annum).

	2008 (Rupees '000)	2007 (Rupees '000)
13. CONTINGENCIES AND COMMITMENTS		
a) Contingencies:		
i) Guarantees issued by banks on behalf of the Company.	17,100	18,729
ii) Disputed demands for income tax and levy of contribution to Workers' Welfare Fund related to former PSFL decided in favour of the Company by the Income Tax Appellate Authorities, are currently in appeal by the department. The Company is confident that there are reasonable grounds for a favourable decision.	178,590	178,590
iii) Claims against the Company and/or potential exposure not acknowledged as debt.	50,696	50,696
iv) Company's share of contingent liabilities of Fauji Cement Company Limited as at September 30, 2008.	156,165	–
b) Commitments in respect of:		
i) Capital expenditure.	3,122,914	1,192,706
ii) Purchase of fertilizer, stores, spares and other revenue items.	201,521	895,762
iii) 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 as at September 30, 2007 of MAD 838,637 thousand equivalent Pak Rs 6,692,323 thousand).	–	836,540
iv) Company's share of investment in Fauji Cement Company Limited.	–	1,500,000
v) Rentals under lease agreements:		
Premises – not later than one year	35,689	29,191
– later than one year and not later than:		
two years	28,720	26,399
three years	10,415	22,069
four years	2,534	8,718
five years	720	2,534
Vehicles - not later than one year	89,625	81,896
- later than one year and not later than:		
two years	57,408	66,062
three years	56,860	41,462
four years	30,814	37,423
five years	13,748	14,780
- later than five years	–	4,343

14. PROPERTY, PLANT AND EQUIPMENT

(Rupees '000)

	Freehold land	Lease hold land	Buildings & structures on freehold land	Buildings & structures on leasehold land	Railway siding	Plant and machinery	Catalysts	Office and electrical equipments	Furniture and fixtures	Vehicles	Maintenance and other equipments	Library books	Capital work in progress (note 14.3)	Total
COST														
Balance as at January 01, 2007	192,924	82,400	1,924,705	42,150	26,517	18,912,871	456,631	264,238	99,109	261,372	736,189	11,015	958,551	23,968,672
Additions during the year	25,877	96,350	220,565	–	–	269,780	81,842	33,392	28,922	20,431	162,910	2,053	1,607,711	2,549,833
Disposals	–	–	–	–	–	(3,748)	(81,036)	(9,201)	(1,624)	(10,460)	(24,396)	(149)	–	(130,614)
Transfers/adjustments	–	–	–	–	–	–	–	(110)	–	–	110	–	(938,049)	(938,049)
Balance as at December 31, 2007	218,801	178,750	2,145,270	42,150	26,517	19,178,903	457,437	288,319	126,407	271,343	874,813	12,919	1,628,213	25,449,842
Balance as at January 01, 2008	218,801	178,750	2,145,270	42,150	26,517	19,178,903	457,437	288,319	126,407	271,343	874,813	12,919	1,628,213	25,449,842
Additions during the year	9,585	–	302,198	–	–	755,792	233,275	41,478	18,358	26,242	144,215	2,544	3,057,301	4,590,988
Disposals	–	–	–	–	–	(75)	(31,239)	(10,008)	(1,667)	(8,226)	(10,525)	–	–	(61,740)
Transfers/adjustments	–	–	–	–	–	–	–	(30)	–	–	30	–	(1,356,901)	(1,356,901)
Balance as at December 31, 2008	228,386	178,750	2,447,468	42,150	26,517	19,934,620	659,473	319,759	143,098	289,359	1,008,533	15,463	3,328,613	28,622,189
DEPRECIATION														
Balance as at January 01, 2007	–	25,750	1,160,220	40,647	26,517	11,947,522	189,038	156,976	48,540	163,237	593,418	8,850	–	14,360,715
Charge for the year	–	9,736	76,003	108	–	480,120	98,110	29,628	8,950	43,316	80,436	1,443	–	827,850
Depreciation on disposals	–	–	–	–	–	(3,748)	(81,036)	(8,374)	(1,496)	(10,372)	(24,142)	(45)	–	(129,213)
Transfers/adjustments	–	–	–	–	–	–	–	(66)	–	–	66	–	–	–
Balance as at December 31, 2007	–	35,486	1,236,223	40,755	26,517	12,423,894	206,112	178,164	55,994	196,181	649,778	10,248	–	15,059,352
Balance as at January 01, 2008	–	35,486	1,236,223	40,755	26,517	12,423,894	206,112	178,164	55,994	196,181	649,778	10,248	–	15,059,352
Charge for the year	–	14,323	87,651	116	–	492,775	113,848	33,978	10,871	37,095	99,177	1,680	–	891,514
Depreciation on disposals	–	–	–	–	–	(59)	(31,239)	(8,424)	(1,421)	(8,220)	(10,127)	–	–	(59,490)
Transfers/adjustments	–	–	–	–	–	–	–	(7)	–	–	7	–	–	–
Balance as at December 31, 2008	–	49,809	1,323,874	40,871	26,517	12,916,610	288,721	203,711	65,444	225,056	738,835	11,928	–	15,891,376
Written down value as at														
December 31, 2007	218,801	143,264	909,047	1,395	–	6,755,009	251,325	110,155	70,413	75,162	225,035	2,671	1,628,213	10,390,490
Written down value as at														
December 31, 2008	228,386	128,941	1,123,594	1,279	–	7,018,010	370,752	116,048	77,654	64,303	269,698	3,535	3,328,613	12,730,813
Rate of depreciation in %	–	–	6 1/4	5 to 10	5	5	5	20	15	10	20	15 – 33.33	30	–

		Note	2008 (Rupees '000)	2007 (Rupees '000)
14.1	Depreciation charge has been allocated as follows:			
	Cost of sales	28	870,170	808,558
	Distribution cost	29	15,139	14,344
	Charged to FFBL under Inter Company Services Agreement		6,205	4,948
			891,514	827,850

14.2 Details of property, plant and equipment sold :

Description	Cost	Book value	Sale proceeds
		(Rupees '000)	
By Insurance claim against vehicles			
EFU Insurance Company	4,345	1,911	3,228
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rs 50 thousand	57,395	339	7,945
2008	61,740	2,250	11,173
2007	130,614	1,401	8,983

		2008 (Rupees '000)	2007 (Rupees '000)
14.3	CAPITAL WORK IN PROGRESS		
	Civil works	331,364	157,890
	Plant and machinery including advances to suppliers	2,997,249	1,470,323
		3,328,613	1,628,213

15. GOODWILL

This represents excess of the amount paid over fair value of net assets of PSFL on its acquisition.

	Note	2008 (Rupees '000)	2007 (Rupees '000)
16. LONG TERM INVESTMENTS			
Investment in associate – at cost			
Fauji Cement Company Limited (FCCL)	16.1	1,500,000	–
Investment in joint venture – at cost			
Pakistan Maroc Phosphore S.A., Morocco	16.2	705,925	705,925
Investment in subsidiary – at cost			
Fauji Fertilizer Bin Qasim Limited (FFBL)	16.3	4,752,330	4,752,330
Investments available for sale	16.4		
Certificates of Investment		232,647	259,835
Pakistan Investment Bonds		568,271	652,932
Term Finance Certificates		47,453	53,718
		848,371	966,485
		7,806,626	6,424,740
Less: Current portion shown under short term investments	25		
Investments available for sale			
Certificates of Investment		61,828	99,589
Term Finance Certificates		19	22
		61,847	99,611
		7,744,779	6,325,129

16.1 Investment in associate - at cost

Investment in associate represents 93,750 thousand fully paid ordinary shares of Rs 10 each representing 12.63% of FCCL share capital as at December 31, 2008. Market value of the Company's investment as at December 31, 2008 was Rs 440,625 thousand. However, the Company believes that the recoverable amount of it's investment in FCCL is much higher than the fair value as at December 31, 2008.

The Company is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by the Royal Bank of Scotland (formerly ABN Amro Bank), remains outstanding or without prior concent of FCCL.

16.2 Investment in joint venture - at cost

The Company has 12.5% equity participation in Pakistan Maroc Phosphore S.A. (PMP), amounting to Moroccan Dirhams (MAD) 100,000 thousand equivalent to Rs 705,925 thousand. PMP is a joint venture between the Company, Fauji Foundation, FFBL and Officie Cherifien Des Phosphates, Morrocco. The principal activity of PMP is to manufacture and market Phosphoric acid, fertilizer and other related products in Morrocco and abroad.

According to the Shareholders' agreement, the Company cannot sell the shares of PMP outside Fauji Group (consisting of the Company, Fauji Foundation and FFBL) for a period of five years effective September 14, 2004. Further, if any legal restriction is laid on dividends by PMP, 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.

16.3 Investment in subsidiary - at cost

Investment in subsidiary represents 475,233 thousand fully paid ordinary shares of Rs 10 each representing 50.88% of FFBL share capital as at December 31, 2008. Market value of the Company's investment as at December 31, 2008 was Rs 6,130,506 thousand (2007: Rs 19,983,548 thousand), whereas value based on net assets as per audited financial statements as at December 31, 2008 was Rs 5,335,466 thousand (2007: Rs 4,329,342 thousand).

16.4 Investments available for sale

Certificates of Investment (COI)

These represent placements in certificates of investment of a financial institution for periods ranging from one to five years at profit rates ranging from 6% to 15% per annum.

Pakistan Investment Bonds (PIBs)

These were purchased for a period of 10 years with remaining period ranging between 2 to 4 years. Profit is payable on a half yearly basis at rates ranging from 11% to 14% per annum.

Term Finance Certificates (TFCs)

These include 9,990 certificates of Rs 5,000 each of Pakistan Mobile Communications Limited. Profit is payable on a half yearly basis at the rate of six months' KIBOR +2.85% per annum.

	Note	2008 (Rupees '000)	2007 (Rupees '000)
17. LONG TERM LOANS AND ADVANCES - SECURED			
Loans and advances - considered good, to:			
Executives		104,039	84,027
Other employees		97,138	88,573
		201,177	172,600
Less: Amount due within twelve months, shown			
under current loans and advances	22	38,075	29,818
		163,102	142,782

17.1 Reconciliation of carrying amount of loans and advances to executives and other employees:

	Opening balance as at January 01, 2008	Disbursements	Repayments	Closing balance as at December 31, 2008
		(Rupees '000)		
Executives	84,027	55,320	35,308	104,039
Other employees	88,573	16,545	7,980	97,138
	172,600	71,865	43,288	201,177
2007	117,481	109,880	54,761	172,600

These represent secured house building loans, house rent advances and advances pursuant to agreement with workers which are repayable within one to ten years. House building loans carry mark-up at 4% per annum.

The maximum amount of advances to executives outstanding at the end of any month during the year was Rs 134,262 thousand (2007: Rs 85,966 thousand).

		2008 (Rupees '000)	2007 (Rupees '000)
18.	LONG TERM DEPOSITS AND PREPAYMENTS		
	Deposits	1,524	1,299
	Prepayments	–	845
		1,524	2,144
19.	STORES, SPARES AND LOOSE TOOLS		
	Stores	130,737	110,789
	Spares	2,828,817	2,284,650
	Provision for slow moving and surplus items	(160,763)	(139,325)
		2,668,054	2,145,325
	Loose tools	279	240
	Items in transit	235,198	151,634
		3,034,268	2,407,988
20.	STOCK IN TRADE		
	Raw materials	112,870	66,350
	Work in process	44,699	16,319
	Finished goods:		
	Manufactured urea	66,842	164,714
	Purchased fertilizers	33,683	395,453
		258,094	642,836

		Note	2008 (Rupees '000)	2007 (Rupees '000)
21.	TRADE DEBTS			
	Considered good:			
	Secured		480,249	1,709,236
	Unsecured	21.1	15,680	13,366
			495,929	1,722,602
	Considered doubtful		1,758	1,904
			497,687	1,724,506
	Provision for doubtful debts		(1,758)	(1,904)
			495,929	1,722,602

21.1 This includes Rs 672 thousand (2007: Rs 476 thousand) due from Fauji Foundation, an associated undertaking.

		Note	2008 (Rupees '000)	2007 (Rupees '000)
22.	LOANS AND ADVANCES			
	Current portion of long term loans and advances	17	38,075	29,818
	Loans and advances-unsecured			
	– executives		22,212	17,133
	– others		5,801	9,581
	Advances to suppliers – considered good		70,856	27,385
			136,944	83,917
23.	DEPOSITS AND PREPAYMENTS			
	Deposits		55,048	1,778
	Prepayments		52,321	31,887
			107,369	33,665
24.	OTHER RECEIVABLES			
	Accrued income on investments and bank deposits		62,033	44,793
	Sales tax receivable		42,447	–
	Advance tax	24.1	322,368	476,489
	Receivable from Workers' Profit Participation Fund – unsecured	9.1, 24.2	673,236	–
	Subsidy receivable from Government of Pakistan (GOP)		–	935,808
	Other receivables			
	– considered good		133,395	85,673
	– considered doubtful		2,232	2,232
			135,627	87,905
	Provision for doubtful receivables		(2,232)	(2,232)
			133,395	85,673
			1,233,479	1,542,763

24.1 This represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. The Company intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

24.2 This includes Rs 622,286 thousand which represents amount paid to WPPF in prior years' in excess of the Company's obligation and profit earned thereon. Corresponding effect of this receivable is included in other income (note 32).

	Note	2008 (Rupees '000)	2007 (Rupees '000)
25. SHORT TERM INVESTMENTS			
Term deposits with banks and financial institutions			
Available for sale			
Local currency (net of provision for doubtful recovery Rs 13,000 thousand)	25.1	1,875,000	1,350,000
Foreign currency	25.1	1,033,936	841,296
Investments at fair value through profit or loss			
– Held for trading			
Meezan Balanced Fund		39,700	84,000
National Investment Trust		84,069	127,885
Nafa Cash Fund		–	174,077
AMZ Plus Income Fund		417,011	150,397
Askari Income Fund		–	200,398
Current maturity of long term investments			
Available for sale		61,847	99,611
		3,511,563	3,027,664

25.1 These represent investments having maturities ranging between 1 to 6 months.

	2008 (Rupees '000)	2007 (Rupees '000)
26. CASH AND BANK BALANCES		
At banks:		
Deposit accounts:		
Local currency	761,381	1,189,806
Foreign currency	22,676	11,979
	784,057	1,201,785
Drafts in hand and in transit	146,331	146,716
Cash in hand	1,477	1,499
	931,865	1,350,000

Balances with banks include Rs 113,895 thousand (2007: Rs 89,380 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 15,000 thousand (2007: Rs 15,000 thousand) under lien of a bank, against a guarantee issued on behalf of the Company.

27. SALES

Sales include Rs 3,402,916 thousand (2007: Rs 6,267,655 thousand) in respect of sale of purchased fertilizers and are exclusive of trade allowances and sales tax of Rs 507,945 thousand and Rs 1,089,587 thousand respectively (2007: Rs 600,123 thousand and Rs 2,453,686 thousand respectively).

	Note	2008 (Rupees '000)	2007 (Rupees '000)
28. COST OF SALES			
Raw materials consumed		6,349,067	5,531,108
Fuel and power		4,269,216	3,374,046
Chemicals and supplies		220,369	159,616
Salaries, wages and benefits		2,035,064	1,616,995
Training and employees welfare		361,681	307,991
Rent, rates and taxes	28.1	16,014	15,899
Insurance		102,610	101,679
Travel and conveyance	28.1	144,937	116,065
Repairs and maintenance (includes stores and spares consumed of Rs 546,964 thousand; 2007: Rs 557,841 thousand)	28.2	792,482	710,886
Depreciation	14.1	870,170	808,558
Communication and other expenses		585,460	544,064
Opening stock – work in process		16,319	23,484
Closing stock – work in process		(44,699)	(16,319)
Cost of goods manufactured		15,718,690	13,294,072
Opening stock of manufactured urea		164,714	34,298
Closing stock of manufactured urea		(66,842)	(164,714)
		97,872	(130,416)
Cost of sales- own manufactured urea		15,816,562	13,163,656
Opening stock of purchased fertilizers		395,453	839,601
Purchase of fertilizers for resale	28.3	2,056,360	4,703,721
		2,451,813	5,543,322
Closing stock of purchased fertilizers		(33,683)	(395,453)
Cost of sales- purchased fertilizers		2,418,130	5,147,869
		18,234,692	18,311,525

28.1 These include operating lease rentals amounting to Rs 59,035 thousand (2007: Rs 47,769 thousand).

28.2 This includes provision for slow moving and surplus spares amounting to Rs 21,438 thousand (2007: Rs 14,027 thousand).

28.3 Cost of purchased fertilizer is net of subsidy of Rs. 470 per bag (2007: Rs 250 per bag to Rs 470 per bag) on potassic and phosphatic fertilizers as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan.

		Note	2008 (Rupees '000)	2007 (Rupees '000)
29.	DISTRIBUTION COST			
	Product transportation		1,839,129	1,641,079
	Salaries, wages and benefits		547,765	480,641
	Training and employees welfare		29,222	29,691
	Rent, rates and taxes	29.1	52,016	54,555
	Insurance		581	1,016
	Technical services to farmers		5,857	4,295
	Travel and conveyance	29.1	77,058	68,923
	Sale promotion and advertising		36,269	28,060
	Communication and other expenses		43,077	30,542
	Warehousing expenses		22,458	65,647
	Depreciation	14.1	15,139	14,344
			2,668,571	2,418,793

29.1 These include operating lease rentals amounting to Rs 69,150 thousand (2007: Rs 72,619 thousand)

		2008 (Rupees '000)	2007 (Rupees '000)
30.	FINANCE COST		
	Mark-up on long term financing	507,925	291,530
	Mark-up on short term borrowings	110,807	364,136
	Exchange loss	68,070	45,095
	Bank charges	8,569	2,851
		695,371	703,612

Borrowing cost capitalised during the year amounted to Rs. 131,969 thousand at an average rate of 12.8% per annum (2007: Rs. 33,070 thousand).

		2008 (Rupees '000)	2007 (Rupees '000)
31.	OTHER EXPENSES		
	Research and development	153,773	118,712
	Workers' Profit Participation Fund	539,048	426,954
	Workers' Welfare Fund	200,822	297,180
	Auditors' remuneration		
	Audit fee	1,234	1,122
	Fee for half yearly review, audit of consolidated accounts and certifications for Government and related agencies	670	1,259
	Out of pocket expenses	100	100
		895,647	845,327

	Note	2008 (Rupees '000)	2007 (Rupees '000)
32. OTHER INCOME			
Income from financial assets			
Income on loans, deposits and investments		331,826	239,282
(Loss) / gain on re-measurement of investments at fair value through profit or loss – Held for trading		(181,711)	33,157
Dividend income		125,638	29,248
Loss on disposal of investments at fair value through profit or loss – Held for trading		(27,517)	–
Gain on encashment of Term Finance Certificates		–	1,099
Exchange gain		240,792	7,205
Income from subsidiary			
Commission on sale of FFBL products		20,080	16,886
Dividend from FFBL		760,373	1,306,891
Income from non-financial assets			
Gain on sale of property, plant and equipment		8,923	7,582
Other income			
Scrap sales		28,900	19,552
Workers' Profit Participation Fund	24.2	622,286	–
Others		12,968	4,303
		1,942,558	1,665,205
33. TAXATION			
Provision for taxation			
– current year		3,319,000	2,505,000
– prior year		99,000	–
Deferred		98,000	(51,000)
		3,516,000	2,454,000
33.1 Reconciliation of tax charge for the year			
Profit before taxation		10,041,083	7,814,953

	2008 %	2007 %
Reconciliation of tax charge for the year		
Applicable tax rate	35.00	35.00
Add: Tax effect of amounts that are not deductible for tax purposes	2.13	1.28
Less: Tax effect of amounts taxed at lower rates	(1.99)	(4.66)
Tax effect of rebates and tax credit	(0.12)	(0.22)
Average effective tax rate charged on income	35.02	31.40

	2008 (Rupees '000)	2007 (Rupees '000)
34. EARNINGS PER SHARE		
Net profit after tax (Rupees '000)	6,525,083	5,360,953
Weighted average number of shares in issue during the year ('000)	493,474	493,474
Basic and diluted earnings per share (Rupees)	13.22	10.86

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

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Company are given below:

	2008 (Rupees '000)		2007 (Rupees '000)	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	3,108	624,558	2,645	563,704
Contribution to provident fund	196	32,568	162	29,666
Bonus and other awards	2,657	108,611	138	50,503
Good performance award	424	327,942	–	203,061
Others	2,045	207,153	1,684	182,040
Total	8,430	1,300,832	4,629	1,028,974
No. of person(s)	1	322	1	313

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the chief executive in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 2,227 thousand (2007: Rs 8,227 thousand) to the executives was paid on separation, in accordance with the Company's policy.

In addition, 12 (2007: 11) directors were paid aggregate fee of Rs 650 thousand (2007: Rs 152 thousand).

	2008 (Rupees '000)	2007 (Rupees '000)
36. CASH GENERATED FROM OPERATIONS		
Net profit before taxation	10,041,083	7,814,953
Adjustments for:		
Depreciation	885,309	822,902
Provision for slow moving and surplus spares	21,438	14,027
Provision for gratuity	52,447	43,509
Provision for pension	41,129	32,915
Provision for Worker's Profit Participation Fund	539,048	426,954
Provision for Worker's Welfare Fund	200,822	297,180
Finance cost	695,371	703,612
Income on loans, deposits and investments	(331,826)	(268,530)
Gain on sale of property, plant and equipment	(8,923)	(7,582)
Exchange (gain) / loss - net	(239,930)	39,298
Loss / (gain) on re-measurement of investments at fair value through profit or loss	181,711	(33,157)
Dividend income	(886,011)	(1,336,139)
	1,150,585	734,989
	11,191,668	8,549,942
Changes in working capital		
(Increase)/ decrease in current assets:		
Stores and spares	(647,718)	(219,962)
Stock in trade	384,742	310,069
Trade debts	1,226,673	(761,175)
Loans and advances	(53,027)	11,328
Deposits and prepayments	(73,704)	(8,177)
Other receivables	377,474	(96,415)
Increase in current liabilities:		
Trade and other payables	681,104	1,921,712
	1,895,544	1,157,380
Changes in long term loans and advances	(20,320)	(66,135)
Changes in long term deposits and prepayments	620	330
	13,067,512	9,641,517
37. CASH AND CASH EQUIVALENTS		
Cash and bank balances	931,865	1,350,000
Short term running finance	(3,114,000)	(210,000)
Short term highly liquid investments	2,922,064	2,204,262
	739,929	3,344,262

38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 Financial assets and liabilities

	Interest / mark-up bearing								Non–interest / mark-up bearing			
	Interest rates	Maturity upto one year	Maturity after one year and upto two years	Maturity after two years and upto three years	Maturity after three years and upto four years	Maturity after four years and upto five years	Maturity after five years	Sub–total	Maturity upto one year	Maturity after one year	Sub–total	2008 Total
						(Rupees `000)						
Financial assets												
Investments												
– Local currency	6%-19.5%	1,936,847	124,954	446,192	166,398	48,980	–	2,723,371	540,780	–	540,780	3,264,151
– Foreign currency	5.2%-8%	1,033,936	–	–	–	–	–	1,033,936	–	–	–	1,033,936
Loans and advances	5%	21,328	19,232	17,825	17,521	17,222	44,899	138,027	44,760	46,403	91,163	229,190
Trade debts		–	–	–	–	–	–	–	495,929	–	495,929	495,929
Deposits		–	–	–	–	–	–	–	55,048	1,524	56,572	56,572
Accrued income on investments and bank deposits		–	–	–	–	–	–	–	62,033	–	62,033	62,033
Other receivables		–	–	–	–	–	–	–	806,631	–	806,631	806,631
Cash and bank balances												
– Local currency	0.5% – 13%	761,381	–	–	–	–	–	761,381	147,808	–	147,808	909,189
– Foreign currency	3.30%	22,676	–	–	–	–	–	22,676	–	–	–	22,676
		3,776,168	144,186	464,017	183,919	66,202	44,899	4,679,391	2,152,989	47,927	2,200,916	6,880,307
Financial liabilities												
Recognised												
Long term financing	10.40%-16.70%	743,036	1,799,405	1,359,405	1,140,655	577,083	501,666	6,121,250	–	–	–	6,121,250
Short term borrowings	9.92%-15.26%	3,114,000	–	–	–	–	–	3,114,000	–	–	–	3,114,000
Trade and other payables		–	–	–	–	–	–	–	3,696,443	–	3,696,443	3,696,443
Interest and mark-up accrued		–	–	–	–	–	–	–	194,570	–	194,570	194,570
		3,857,036	1,799,405	1,359,405	1,140,655	577,083	501,666	9,235,250	3,891,013	–	3,891,013	13,126,263
Unrecognised												
Guarantees		–	–	–	–	–	–	–	17,100	–	17,100	17,100
Letters of credit		–	–	–	–	–	–	–	201,521	–	201,521	201,521
Contingencies		–	–	–	–	–	–	–	385,451	–	385,451	385,451
Commitments		–	–	–	–	–	–	–	3,248,228	201,219	3,449,447	3,449,447
		–	–	–	–	–	–	–	3,852,300	201,219	4,053,519	4,053,519
		3,857,036	1,799,405	1,359,405	1,140,655	577,083	501,666	9,235,250	7,743,313	201,219	7,944,532	17,179,782

38.2 Financial assets and liabilities

	Interest / mark-up bearing								Non–interest / mark-up bearing			
	Interest rates	Maturity upto one year	Maturity after one year and upto two years	Maturity after two years and upto three years	Maturity after three years and upto four years	Maturity after four years and upto five years	Maturity after five years	Sub–total	Maturity upto one year	Maturity after one year	Sub–total	2007 Total
						(Rupees `000)						
Financial assets												
Recognised												
Investments												
– Local currency	6% – 15%	1,449,610	60,995	136,356	488,133	172,447	8,944	2,316,485	736,757	–	736,757	3,053,242
– Foreign currency	5.85%	841,296	–	–	–	–	–	841,296	–	–	–	841,296
Loans and advances	4%	19,706	14,930	14,062	12,912	11,404	39,062	112,076	27,245	59,993	87,238	199,314
Trade debts		–	–	–	–	–	–	–	1,722,602	–	1,722,602	1,722,602
Deposits		–	–	–	–	–	–	–	1,778	1,299	3,077	3,077
Accrued income on investments and bank deposits		–	–	–	–	–	–	–	44,793	–	44,793	44,793
Other receivables		–	–	–	–	–	–	–	1,021,481	–	1,021,481	1,021,481
Cash and bank balances												
– Local currency	0.5% -9%	1,189,806	–	–	–	–	–	1,189,806	148,215	–	148,215	1,338,021
– Foreign currency	5.35% – 6.10%	11,979	–	–	–	–	–	11,979	–	–	–	11,979
		3,512,397	75,925	150,418	501,045	183,851	48,006	4,471,642	3,702,871	61,292	3,764,163	8,235,805
Financial liabilities												
Recognised												
Long term financing	10.11%-12.02%	1,022,500	624,287	738,571	738,571	519,821	50,000	3,693,750	–	–	–	3,693,750
Short term borrowings	5.62% – 11.59%	3,141,081	–	–	–	–	–	3,141,081	–	–	–	3,141,081
Trade and other payables		426,954	–	–	–	–	–	426,954	3,019,945	–	3,019,945	3,446,899
Interest and mark-up accrued		–	–	–	–	–	–	–	184,430	–	184,430	184,430
		4,590,535	624,287	738,571	738,571	519,821	50,000	7,261,785	3,204,375	–	3,204,375	10,466,160
Unrecognised												
Guarantees		–	–	–	–	–	–	–	18,729	–	18,729	18,729
Letters of credit		–	–	–	–	–	–	–	895,762	–	895,762	895,762
Contingencies		–	–	–	–	–	–	–	229,286	–	229,286	229,286
Commitments		–	–	–	–	–	–	–	3,640,333	223,790	3,864,123	3,864,123
		–	–	–	–	–	–	–	4,784,110	223,790	5,007,900	5,007,900
		4,590,535	624,287	738,571	738,571	519,821	50,000	7,261,785	7,988,485	223,790	8,212,275	15,474,060

38.3 Risk management

a) Concentration of credit risk

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

b) Foreign exchange risk management

Financial assets and liabilities exposed to foreign exchange rate risk amount to Rs 1,056,612 thousand (2007: Rs 853,275 thousand) and Rs Nil (2007: Rs 2,931,081 thousand) respectively at the year end.

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Company's foreign exchange risk exposure is restricted to foreign currency investments and bank balances. As foreign currency assets are denominated in US Dollar and carry interest, the Company's exposure emanating from any fluctuations in the Pak Rupee/ US Dollar parity gets adjusted against the change in interest rates to a certain extent.

c) Mark-up rate risk

Financial assets and liabilities include balances of Rs 4,679,391 thousand (2007: Rs 4,471,642 thousand) and Rs 9,235,250 thousand (2007: Rs 7,261,785 thousand) respectively, which are subject to interest rate risk. Applicable interest rates for financial assets and liabilities have been indicated in respective notes.

The Company manages interest rate risk by investing excess cash in variety of different investments including investment in foreign currency.

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines.

e) Capital management

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

38.4 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except loans and advances which are carried at amortised cost.

39. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2007: 44.35%) shares of the Company at the year-end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of the Company. Pakistan Maroc Phosphore and Fauji Cement Company Limited are also related parties of the Company due to common directorship. The related parties also comprise of directors, major shareholders, key management personnel, entities over which the directors are able to exercise influence and employees' funds. Transactions with related parties and the balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executive, directors and executives are disclosed in notes 17, 22 and 35 to the financial statements respectively.

	2008 (Rupees '000)	2007 (Rupees '000)
Transactions with subsidiary company		
Marketing of fertilizer on behalf of subsidiary company		
under sale on consignment basis	313,494	239,582
Commission on sale of subsidiary company's products	20,080	16,886
Services and materials provided	26,197	12,716
Services and materials received	1,535	580
Dividend income	760,373	1,306,891
Balance payable at the year end-unsecured	413,529	67,540
Transactions with associated undertaking/		
companies due to common directorship		
Long term investment	1,500,000	–
Sale of fertilizer	2,201	1,827
Medical services	7	69
Office rent	3,266	3,062
Dividend paid	3,063,981	2,672,777
Purchase of gas as feed and fuel stock	9,501,499	8,154,469
Others	3,324	2,570
Technical services received	25,983	14,756
Balance receivable at the year end-unsecured	29	759
Balance payable at the year end-unsecured	474,808	402,405
Other related parties		
Payments to:		
Employees' Provident Fund Trust	161,516	143,620
Employees' Gratuity Fund Trust	50,327	44,592
Employees' Pension Fund Trust	44,530	35,472
Workers' Profit Participation Fund	1,016,952	374,992
Balances (receivable) / payable at the year-end, unsecured	(663,074)	432,222

40. POST BALANCE SHEET EVENT

The Board of Directors in their meeting held on January 29, 2009 have proposed a final dividend of Rs 3.25 per share, bonus shares of 0.25 per share, increase in authorised share capital by Rs 5 billion and movement from general reserve to unappropriated profit by Rs 250 million.

41. GENERAL

		2008 (Tonnes '000)	2007 (Tonnes '000)
41.1	Production capacity		
	Design capacity at year end	2,048	1,904
	Weighted average design capacity	1,915	1,904
	Production	2,322	2,320

41.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 40,000 thousand and Rs 8,613,000 thousand (2007: Rs 40,000 thousand and Rs 7,156,000 thousand) respectively are available to the Company against lien on shipping / title documents and charge on assets of the Company.

41.3 Donations aggregating Rs 35,895 thousand i.e, 0.55% of net profit (2007: Rs 49,072 thousand i.e, 1% of net profit), included under cost of sales and distribution cost do not include any amount paid to any person or organisation in which the chief executive, directors or their spouses had any interest.

41.4 These financial statements have been authorised for issue by the Board of Directors of the Company on January 29, 2009.

Chairman

Chief Executive

Director

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Consolidated Financial Statements

FAUJI FERTILIZER COMPANY LIMITED

2008

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We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Fauji Fertilizer Company Limited (“the Company”) as at December 31, 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements are responsibility of the Company's management. Our responsibility is to express our opinion on these financial 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 above said statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly the financial position of Fauji Fertilizer Company Limited as at December 31, 2008 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Islamabad
January 29, 2009

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

	Note	2008 (Rupees '000)	2007 (Rupees '000)
SHARE CAPITAL AND RESERVES			
Share capital	3	4,934,742	4,934,742
Capital reserves	4	853,594	276,184
Revenue reserves	5	7,470,754	7,095,746
		13,259,090	12,306,672
MINORITY INTEREST		5,151,378	4,179,969
		18,410,468	16,486,641
NON CURRENT LIABILITIES	6	11,247,252	9,644,110
DEFERRED LIABILITIES	7	6,640,243	6,444,055
CURRENT LIABILITIES			
Trade and other payables	8	11,825,359	8,125,688
Interest and mark-up accrued	10	788,156	308,317
Short term borrowings	11	21,371,082	9,016,422
Current portion of:			
- Long term financing	6.1	1,159,980	1,439,444
- Long term murabaha	6.2	38,679	38,679
- Long term loan	6.3	648,201	648,201
- Liabilities against assets subject to finance lease		–	2,651
Taxation - net		1,778,671	1,001,179
		37,610,128	20,580,581
		73,908,091	53,155,387
CONTINGENCIES AND COMMITMENTS	12		

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

	Note	2008 (Rupees '000)	2007 (Rupees '000)
PROPERTY, PLANT AND EQUIPMENT	13	28,577,917	26,848,753
GOODWILL		1,569,234	1,569,234
EQUITY ACCOUNTED INVESTMENTS	14.1	5,024,447	2,117,075
OTHER LONG TERM INVESTMENTS	14.2	786,525	866,874
LONG TERM LOANS AND ADVANCES	15	163,102	142,782
LONG TERM DEPOSITS AND PREPAYMENTS	16	16,752	17,372
CURRENT ASSETS			
Stores, spares and loose tools	17	4,456,835	3,674,558
Stock in trade	18	5,934,833	1,230,782
Trade debts	19	781,383	1,966,353
Loans and advances	20	201,581	163,436
Deposits and prepayments	21	112,245	42,132
Other receivables	22	13,898,285	2,443,141
Short term investments	23	3,511,563	6,922,326
Cash and bank balances	24	8,873,389	5,150,569
		37,770,114	21,593,297
		73,908,091	53,155,387

Chairman

Chief Executive

Director

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Sales	25	57,433,698	40,688,779
Cost of sales	26	36,829,444	25,731,835
GROSS PROFIT		20,604,254	14,956,944
Administrative expenses and distribution cost	27	4,651,800	3,618,791
		15,952,454	11,338,153
Finance cost	28	3,487,342	1,334,125
Other expenses	29	1,460,163	1,181,558
		11,004,949	8,822,470
Other income	30	2,548,433	1,585,521
Share of profit of associate and joint venture		248,774	–
NET PROFIT BEFORE TAXATION		13,802,156	10,407,991
Provision for taxation	31	5,032,809	3,813,896
NET PROFIT AFTER TAXATION		8,769,347	6,594,095
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limited		7,344,923	5,346,316
Minority interest		1,424,424	1,247,779
		8,769,347	6,594,095

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

Chairman

Chief Executive

Director

Consolidated Cash Flow Statement
for the year ended December 31, 2008

	Note	2008 (Rupees '000)	2007 (Rupees '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	5,967,810	14,045,860
Payments for :			
Finance cost paid		(1,793,388)	(1,177,632)
Income tax paid		(4,055,963)	(2,558,435)
Payment to pension fund		(44,530)	(35,472)
Payment to gratuity fund		(68,277)	(58,486)
Payment to Workers' Welfare Fund		(151,813)	(122,139)
Payment to Workers' Profit Participation Fund		(1,235,021)	(550,211)
Compensated absences paid		(9,741)	–
Compensation from Government of Pakistan–net		–	51,800
		(7,358,733)	(4,450,575)
Net cash (used in)/generated from operating activities		(1,390,923)	9,595,285
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,073,778)	(4,362,512)
Proceeds from sale of property, plant and equipment		18,353	26,861
Interest received		937,287	758,168
Investment in Fauji Cement Company Limited		(1,800,000)	–
Dividend received		37,143	29,248
Increase / (decrease) in other investments – net		2,852,531	(2,204,479)
Net cash used in investing activities		(2,028,464)	(5,752,714)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing – disbursements		3,450,000	2,600,000
– repayments		(1,439,444)	(1,404,271)
Long term murabaha – repayments		(38,679)	(38,679)
Short term borrowings		(2,931,081)	(1,646,472)
Finance lease paid		(2,651)	(3,245)
Dividends paid		(8,016,113)	(7,126,161)
Net cash used in financing activities		(8,977,968)	(7,618,828)
Net decrease in cash and cash equivalents		(12,397,355)	(3,776,257)
Cash and cash equivalents at beginning of the year		2,819,490	6,588,581
Effect of exchange rate changes		2,236	7,166
Cash and cash equivalents at end of the year	33	(9,575,629)	2,819,490

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

Chairman | Chief Executive | Director

	Attributable to equity holders of Fauji Fertilizer Company Limited						Minority interest	Total
		Capital reserves		Revenue reserves				
	Share capital	Capital reserve	Translation reserve	Surplus/ Deficit on remeasurement	General reserve	Unappropriated profit		
	(Rupees '000)							
Balance at December 31, 2006	4,934,742	276,184	–	–	6,190,000	1,146,881	4,194,102	16,741,909
Surplus on remeasurement to fair value – net of tax	–	–	–	38,154	–	–	–	38,154
Transfer from general reserve	–	–	–	–	(250,000)	250,000	–	–
Total income recognised directly in equity	–	–	–	38,154	(250,000)	250,000	–	38,154
Net profit for the year ended December 31, 2007	–	–	–	–	–	5,346,316	1,247,779	6,594,095
Total recognised income and expense for the year	–	–	–	38,154	(250,000)	5,596,316	1,247,779	6,632,249
FFC Dividends:								
Final dividend 2006: Rs 3.90 per share	–	–	–	–	–	(1,924,549)	–	(1,924,549)
First interim 2007: Rs 2.50 per share	–	–	–	–	–	(1,233,685)	–	(1,233,685)
Second interim 2007: Rs 2.25 per share	–	–	–	–	–	(1,110,317)	–	(1,110,317)
Third interim 2007: Rs 2.75 per share	–	–	–	–	–	(1,357,054)	–	(1,357,054)
Dividends to FFBL minority holders								
Final dividend 2006 : Rs 1.25 per share	–	–	–	–	–	–	(573,596)	(573,596)
First interim 2007: Re 0.5 per ordinary share	–	–	–	–	–	–	(229,439)	(229,439)
Second interim 2007: Re 1.00 per ordinary share	–	–	–	–	–	–	(458,877)	(458,877)
Balance at December 31, 2007	4,934,742	276,184	–	38,154	5,940,000	1,117,592	4,179,969	16,486,641
Deficit on remeasurement to fair value – net of tax	–	–	–	(61,275)	–	–	–	(61,275)
Transfer from general reserve	–	–	–	–	(100,000)	100,000	–	–
Exchange differences on translating a joint venture	–	–	577,410	–	–	–	281,188	858,598
Total income recognised directly in equity	–	–	577,410	(61,275)	(100,000)	100,000	281,188	797,323
Net profit for the year ended December 31, 2008	–	–	–	–	–	7,344,923	1,424,424	8,769,347
Total recognised income and expense for the year	–	–	577,410	(61,275)	(100,000)	7,444,923	1,705,612	9,566,670
FFC Dividends:								
Final dividend 2007: Rs 3.50 per share	–	–	–	–	–	(1,727,160)	–	(1,727,160)
First interim 2008: Rs 3.50 per share	–	–	–	–	–	(1,727,160)	–	(1,727,160)
Second interim 2008: Rs 3.00 per share	–	–	–	–	–	(1,480,423)	–	(1,480,423)
Third interim 2008: Rs 4.00 per share	–	–	–	–	–	(1,973,897)	–	(1,973,897)
Dividend to FFBL minority holders								
Final dividend 2007: Re 1.00 per share	–	–	–	–	–	–	(458,877)	(458,877)
First interim 2008: Re 0.60 per ordinary share	–	–	–	–	–	–	(275,326)	(275,326)
Balance at December 31, 2008	4,934,742	276,184	577,410	(23,121)	5,840,000	1,653,875	5,151,378	18,410,468

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

Chairman

Chief Executive

Director

1. STATUS AND NATURE OF BUSINESS

1.1 Fauji Fertilizer Company Limited (FFC / parent company) and its subsidiary, Fauji Fertilizer Bin Qasim Limited (FFBL) are incorporated in Pakistan as public limited companies and their shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The registered offices of the companies are situated in Rawalpindi, Pakistan. FFC and FFBL are domiciled in Rawalpindi. The principal activity of FFC and its subsidiary is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical and other manufacturing operations.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

2.1.1 Basis of consolidation

The consolidated financial statements include the financial statements of FFC and its subsidiary, FFBL with 50.88% holding (2007: 50.88%) ("the Group companies/FFC and FFBL").

Subsidiaries are those enterprises in which parent company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary company have been consolidated on a line by line basis and the carrying value of investment held by the parent company is eliminated against parent company's share in paid up capital of the subsidiary.

Material intra-group balances and transactions have been eliminated.

Minority interests are that part of net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

2.1.2 Statement of compliance

These consolidated 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.

2.1.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except that investments available for sale and held for trading investments are measured at their fair values. The identifiable assets and liabilities of Pak Saudi Fertilizers Limited (PSFL) have been measured at their fair value on acquisition.

2.1.4 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the Group companies functional currency. All financial information presented in Pak Rupee have been rounded to the nearest thousand.

2.1.5 Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in respective policy notes.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these consolidated financial statements are set out below which have been consistently applied.

2.2.1 Retirement benefits

FFC and FFBL operate the following retirement benefit schemes:

Funded gratuity scheme

Defined benefit funded gratuity for all eligible employees who complete qualifying period of service and age.

Contributory Provident Fund

Defined contributory provident fund for all eligible employees for which contributions are charged to profit and loss account.

Funded Pension Scheme

FFC has defined benefit funded pension for eligible employees who complete qualifying period of service and age.

These funds are administered by trustees. Annual contributions to the gratuity and management staff pension funds are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 9 to the consolidated financial statements. All contributions are charged to profit and loss account for the year. Actuarial gains/losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognized over the average remaining service life of the employees.

Gratuity and pension contributions require assumptions to be made of future outcomes which mainly includes increase in remuneration, 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.

Compensated absences

The Group companies have the policy to provide for compensated absences of its employees in accordance with respective entitlement on cessation of service; related expected cost thereof has been included in the consolidated financial statements.

2.2.2 Taxation

Provision for current taxation is based on taxable income at the applicable rate of taxation after taking into account tax credits, tax 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 taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all 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. Deferred tax is not recognised for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in jointly controlled entity to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted.

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

2.2.3 Property, plant and equipment and capital work in progress

Property, plant and equipment including those acquired on PSFL acquisition, are stated at cost less accumulated depreciation except for freehold land and capital work in progress, which are stated at cost. Cost comprises acquisition and other directly attributable costs. Property, plant and equipment acquired on PSFL acquisition are stated at their cost to FFC, which represents their fair value on acquisition, less accumulated depreciation.

Depreciation is provided on the straight-line basis 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 13. 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.

Maintenance and 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 disposal of property, plant and equipment, if any, are included in profit and loss account currently.

The Group companies review the useful life 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 equipment with a corresponding effect on the depreciation charge.

2.2.4 Impairment

The carrying amount of the Group companies assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. For non-financial assets and available-for-sale financial assets that are debt securities, the reversal is recognised in profit and loss account. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

2.2.5 Goodwill

On acquisition of an entity, excess of the purchase consideration over the fair value of the identifiable assets and liabilities acquired is initially recognised as goodwill and thereafter tested for impairment annually. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

2.2.6 Investments

2.2.6.1 Associates and jointly controlled entities (equity accounted investees)

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

2.2.6.2 Investments available for sale

These are initially recognised at cost and at subsequent reporting dates measured at fair values. Gains or losses from changes in fair values are taken to equity until disposal at which time these are recycled to profit and loss account.

Management has determined fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgement (e.g. valuation, interest rate etc.) and therefore, cannot be determined with precision.

2.2.6.3 Investments at fair value through profit or loss-Held for trading

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

The fair value of such investments representing listed equity securities are determined on the basis of prevailing market prices. For investments in income funds where the prices were not available at the year end, valuation was based on the last agreed redemption price.

2.2.6.4 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 Group companies recognize the regular way purchase or sale of financial assets using settlement date accounting.

2.2.7 Stores, spares and loose tools

These are valued at lower of weighted average cost and net realisable value less impairment. The Group companies review 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, spares and loose tools. Impairment is also made for slow moving and/or items identified as surplus to the Group companies requirement.

2.2.8 Stock in trade

Stocks are valued at the lower of cost and net realizable value.

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 purchase, raw materials and related manufacturing expenses

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

2.2.9 Foreign currencies

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.

Investment in foreign joint venture

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

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

All resulting exchange differences are recognised as a separate component of other reserve (translation reserve) within equity.

When a foreign investment is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale.

2.2.10 Revenue recognition

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. Return on bank deposits, investments and interest on loans is accounted for on a time proportion basis using the applicable rate of return/ interest. Scrap sales and miscellaneous receipts are recognised on realised amounts. Dividend income is recognized when right to receive the payment is established.

2.2.11 Mark-up bearing borrowings

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

2.2.12 Government compensation

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

2.2.13 Fertilizer subsidy for farmers

Subsidy on potassic and phosphatic fertilizers announced by the GOP for farmers is recognized in the profit and loss account by adjusting the amount of subsidy against the related cost of purchase/production on a systematic basis in the same period in which these costs are incurred.

2.2.14 Borrowing costs

Borrowing costs incurred upto the date of commencement of commercial production are capitalized. All other borrowing costs are recognized as an expense in the period in which these are incurred.

2.2.15 Research and development costs

Research and development costs are charged to income as and when incurred.

2.2.16 Provisions

Provisions are recognized when, the Group companies have 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 can be made of the amount of obligation.

2.2.17 Dividend and reserve appropriation

Dividend is recognized as a liability in the period in which it is declared. Movement in reserves is recognised in the year in which it is approved.

2.2.18 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts and other short term highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change in value and short term borrowings of FFBL.

2.2.19 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet if the Group companies have a legally enforceable right to offset the recognised amounts and the Group companies intend to settle either on a net basis, or realise the asset and settle the liability simultaneously.

2.2.20 Operating leases

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the term of the relevant lease.

2.2.21 Financial Instruments

Financial assets and financial liabilities are recognised when the Group companies become a party to the contractual provisions of the instrument and assets and liabilities are stated at fair value and amortised cost respectively. The Group companies derecognise the financial assets and liabilities when they cease to be a party to such contractual provisions of the instruments. The Group companies recognise the regular way purchase or sale of financial assets using settlement date accounting.

a) Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

b) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount/cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

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

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

Revised IAS 1 - Presentation of financial statements	(effective 1 January 2009)
Revised IAS 23 - Borrowing costs	(effective 1 January 2009)
Amended IAS 27 - Consolidated and Separate Financial Statements	(effective 1 July 2009)
IAS 29 - Financial Reporting in Hyperinflationary Economies	(effective 28 April 2008)
Amendments to IAS 32 - Financial instruments	(effective 1 January 2009)
Amendments to IAS 39 - Financial Instruments: Recognition and Measurement	(effective 1 July 2009)
Amendment to IFRS 2 - Share-based Payment	(effective 1 January 2009)
Revised IFRS 3 - Business Combinations	(effective 1 July 2009)
IFRS 7 - Financial Instruments: Presentation	(effective 28 April 2008)
IFRS 8 - Operating Segments	(effective 1 January 2009)
IFRIC 13 - Customer Loyalty Programmes	(effective 01 July 2008)
IFRIC 15 - Agreement for the Construction of Real Estate	(effective 1 October 2009)
IFRIC 16 - Hedge of Net Investment in a Foreign Operation	(effective 1 October 2008)
IFRIC 17- Distribution of Non-Cash Assets to Owners	(effective 1 July 2009)
IAS 27 - Consolidated and Separate Financial Statements	(effective 1 January 2009)

The IASB's annual improvements project published in May 2008, contains a number of amendments which would generally be applicable for financial periods beginning on or after 1 January 2009. These amendments extend to 35 standards and include changes in terminology and accounting requirements.

			2008 (Rupees '000)	2007 (Rupees '000)
3.	SHARE CAPITAL			
	ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
	Numbers			
	256,495,902	Ordinary shares of Rs 10 each issued for consideration in cash.	2,564,959	2,564,959
	236,978,328	Ordinary shares of Rs 10 each issued as fully paid bonus shares.	2,369,783	2,369,783
	493,474,230		4,934,742	4,934,742

AUTHORISED SHARE CAPITAL

This represents 500,000,000 (2007: 500,000,000) ordinary shares of Rs 10 each amounting to Rs 5,000,000 thousand.

3.1 Fauji Foundation held 44.35% (2007: 44.35%) ordinary shares of FFC at the year end.

		Note	2008 (Rupees '000)	2007 (Rupees '000)
4.	CAPITAL RESERVES			
	Share premium	4.1	156,184	156,184
	Capital redemption reserve	4.2	120,000	120,000
	Translation reserve		577,410	–
			853,594	276,184

4.1 Share premium

This represents premium of Rs 5 per share received on public issue of 8,000,000 ordinary shares of Rs 10 each of FFC in 1991 and its share in share premium of FFBL received on public issue of 45,670,000 ordinary shares in 1996 at the rate of Rs 5 per share.

4.2 Capital redemption reserve

This represents reserve setup by FFC on redemption of preference shares of Rs 120,000 thousand in 1996.

		2008 (Rupees '000)	2007 (Rupees '000)
5.	REVENUE RESERVES		
	(Deficit)/Surplus on remeasurement of available for sale investments to fair value - net of tax	(23,121)	38,154
	General reserve	5,840,000	5,940,000
	Unappropriated profit	1,653,875	1,117,592
		7,470,754	7,095,746

		Note	2008 (Rupees '000)	2007 (Rupees '000)
6.	**NON CURRENT LIABILITIES**			
	Long term financing – secured	6.1	6,003,630	3,713,610
	Long term murabaha – secured	6.2	58,017	96,694
	Long term loan– Government of Pakistan	6.3	5,185,605	5,833,806
			11,247,252	9,644,110
6.1	**Long term financing – secured**			
	Fauji Fertilizer Company Limited			
	Loans from banking companies	6.1.1		
	i) Habib Bank Limited (HBL- 1)	6.1.1 (a)	375,000	500,000
	ii) United Bank Limited (UBL-1)	6.1.1 (a)	800,000	800,000
	iii) Bank Alfalah Limited (BAFL)	6.1.1 (a)	406,250	500,000
	iv) Standard Chartered Bank (Pakistan) Limited (SCB)	6.1.1 (a)	450,000	500,000
	v) National Bank of Pakistan (NBP-1)	6.1.1 (a)	400,000	400,000
	vi) Saudi Pak Commercial Bank Limited (SPCB-1)	6.1.1 (a)	120,000	150,000
	vii) Saudi Pak Commercial Bank Limited(SPCB-2)	6.1.1 (a)	120,000	150,000
	viii) National Bank of Pakistan (NBP-2)	6.1.1 (a)	500,000	–
	ix) Faysal Bank Limited (FBL)	6.1.1 (a)	400,000	–
	x) Habib Bank Limited (HBL- 2)	6.1.1 (a)	400,000	–
	xi) Bank Islami Limited (BIL)	6.1.1 (a)	250,000	–
	xii) Al-Baraka Islamic Bank Limited (AIBL)	6.1.1 (a)	300,000	–
	xiii) Dubai Islamic Bank (DIB)	6.1.1 (a)	300,000	–
	xiv) Meezan Bank Limited (MBL)	6.1.1 (a)	500,000	–
	xv) MCB Bank Limited (MCB)	6.1.1 (a)	300,000	–
	xvi) Habib Bank Limited (HBL - 3)	6.1.1 (a)	500,000	–
	xvii) National Bank of Pakistan (NBP-3)	6.1.1 (a)	–	500,000
	xviii) Askari Bank Limited (AKBL)	6.1.1 (a)	–	100,000
	xix) Habib Bank Limited (HBL- 4)	6.1.1 (b)	–	93,750
			6,121,250	3,693,750
	Fauji Fertilizer Bin Qasim Limited	6.1.2		
	Loans from banking companies and financial institutions			
	i) Habib Bank Limited (HBL)		324,488	454,284
	ii) Standard Chartered Bank (Pakistan) Limited (SCB)		185,550	259,770
	iii) MCB Bank Limited (MCB)		319,876	447,827
	iv) Askari Bank Limited (AKBL)		71,429	100,000
	v) Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited (SAPICO)		26,731	37,423
			928,074	1,299,304
	From associated company			
	vi) Pak Kuwait Investment Company (Pvt) Limited (PKIC)		114,286	160,000
			7,163,610	5,153,054
	Less: Current portion shown under current liabilities		1,159,980	1,439,444
			6,003,630	3,713,610

6.1.1 Terms and conditions of long term finances availed by FFC are given below:

	Lenders	Mark-up rate p.a. (%)	No. of instalments outstanding	Date of final repayment
i)	HBL - 1	6 months' KIBOR+1.45	6 half yearly	November 30, 2011
ii)	UBL - 1	6 months' KIBOR+1.5	7 half yearly	August 30, 2012
iii)	BAFL	6 months' KIBOR+1.5	13 quarterly	March 20, 2012
iv)	SCB	6 months' KIBOR+1.3	9 half yearly	March 29, 2013
v)	NBP - 1	6 months' KIBOR+1.40	8 half yearly	August 30, 2012
vi)	SPCB - 1	6 months' KIBOR+1.5	8 half yearly	September 27, 2012
vii)	SPCB - 2	6 months' KIBOR+1.5	8 half yearly	December 28, 2012
viii)	NBP - 2	6 months' KIBOR+1	12 half yearly	September 17, 2015
ix)	FBL	6 months' KIBOR+1	10 half yearly	September 26, 2014
x)	HBL - 2	6 months' KIBOR+1	8 half yearly	September 29, 2013
xi)	BIL	6 months' KIBOR+1	8 half yearly	June 30, 2013
xii)	AIBL	6 months' KIBOR+1	12 half yearly	June 27, 2015
xiii)	DIB	6 months' KIBOR+1	10 half yearly	June 30, 2015
xiv)	MBL	6 months' KIBOR+0.96	8 half yearly	March 28, 2013
xv)	MCB	6 months' KIBOR+1	10 half yearly	June 30, 2015
xvi)	HBL - 3	6 months' KIBOR+0.45	On maturity	June 20, 2010
xvii)	NBP - 3	6 months' KIBOR+0.50	Fully repaid	May 31, 2008
xviii)	AKBL	6 months' KIBOR+0.4	Fully repaid	December 30, 2008
xix)	HBL - 4	6 months' Treasury Bill rate+1.3	Fully repaid	May 30, 2008

6.1.1 (a) Finances (i) through (xviii) have been obtained to meet the debottle-necking, investment and other capital expenditure requirements of FFC. Finances (i) to (xv) are secured by an equitable mortgage on the assets and hypothecation of all assets including plant, machinery, tools and spares, and all other moveable properties of FFC including stocks and book debts ranking pari passu with each other with 25% margin. Finance (xvi) is secured against lien on Pakistan Investment Bonds having face value of Rs 500,000 thousand whereas finances (xvii) and (xviii) previously had lien on Pakistan Investment Bonds having face value of Rs 600,000 thousand were fully repaid during the year.

6.1.1 (b) Finance (xix) was secured by an equitable mortgage on immovable assets of FFC and was obtained for the acquisition of PSFL. This has been fully repaid during the year.

6.1.2 Terms and conditions of long term finances availed by FFBL are given below:

	Lenders	Mark-up rate (%)	No. of quarterly instalments outstanding	Repayment commenced from
i)	HBL	12 months' Treasury bill rate	10	July 2004
ii)	SCB	12 months' Treasury bill rate	10	July 2004
iii)	MCB	12 months' Treasury bill rate	10	July 2004
iv)	AKBL	12 months' Treasury bill rate	10	July 2004
v)	SAPICO	12 months' Treasury bill rate	10	July 2004
vi)	PKIC	12 months' Treasury bill rate	10	July 2004

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

		2008 (Rupees '000)	2007 (Rupees '000)
6.2	Long term murabaha - secured		
	FFBL		
	Faysal Bank Limited (FBL) - a banking company	96,696	135,373
	Less: Current portion shown under current liabilities	38,679	38,679
		58,017	96,694

Lender	Mark-up rate (%)	No. of quarterly instalments outstanding	Repayment commenced from
FBL	12 months' Treasury bill rate	10	July 2004

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

		Note	2008 (Rupees '000)	2007 (Rupees '000)
6.3	Long term loan - Government of Pakistan - unsecured			
	Government of Pakistan (GOP) loan-FFBL	6.3.1	4,223,180	4,552,690
	Deferred Government assistance-FFBL	6.3.1	1,610,626	1,929,317
			5,833,806	6,482,007
	Less: Current portion shown under current liabilities		648,201	648,201
			5,185,605	5,833,806

6.3.1 This represents balance amount of GOP loan amounting to Rs. 9,723,015 thousand which is repayable in equal instalments 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. 318,691 thousand.

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

Loans from Export Credit Agencies (ECA), which were assumed by GOP, were initially secured by a guarantee issued by Habib Bank Limited (HBL) on behalf of a local syndicate of banks and financial institutions, which guarantee is secured by first equitable mortgage created on all immovable properties of FFBL and by way of hypothecation of movable properties of FFBL. The charge ranks pari passu with the charges to be created in favour of other foreign and local lenders. The local syndicate had requested FFBL 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 FFBL have not been vacated upto December 31, 2008. FFBL is making efforts in getting this guarantee released.

		Note	2008 (Rupees '000)	2007 (Rupees '000)
7.	DEFERRED LIABILITIES			
	Deferred taxation	7.1	6,523,733	6,357,761
	Deferred liabilities			
	– Compensated leave absences -FFBL		116,510	86,294
			6,640,243	6,444,055
7.1	Deferred taxation			
	The balance of deferred tax is in respect of the following major temporary differences:			
	Accelerated depreciation		6,640,826	6,425,791
	Provision for slow moving/surplus spares, doubtful debts, other receivables and short term investments		(130,865)	(85,628)
	Share of profits of associate and joint venture		24,877	–
	Remeasurement of investments available for sale		(11,105)	18,526
	Liabilities against assets subject to finance lease		–	(928)
			6,523,733	6,357,761
8.	TRADE AND OTHER PAYABLES			
	Creditors		5,062,462	1,477,666
	Accrued liabilities		2,380,353	1,577,654
	Other liabilities	8.1	160,772	150,939
	Sales tax payable – net		–	195,210
	Deposits		113,895	89,380
	Retention money		39,351	31,487
	Advances from customers		2,652,059	2,519,292
	Workers' Profit Participation Fund (WPPF)	8.2	–	444,740
	Workers' Welfare Fund		844,677	707,571
	Gratuity fund	9	18,579	5,268
	Unclaimed dividend		553,211	926,481
			11,825,359	8,125,688

8.1 This includes Rs 48 million payable to GOP after netting off the GOP compensation amounting to Rs 600 million for the year 2008 against the agreed loan repayment of Rs 648 million by FFBL.

		2008 (Rupees '000)	2007 (Rupees '000)
8.2	Workers' Profit Participation Fund		
	Balance at beginning of the year	444,740	389,965
	Interest on funds utilised in Group companies' business	283	246
	Allocation for the year	757,485	604,740
	Payment to fund during the year	(1,235,021)	(550,211)
		(32,513)	444,740

		Funded gratuity (Rupees '000)	Funded pension (Rupees '000)	2008 Total (Rupees '000)	2007 Total (Rupees '000)
9.	RETIREMENT BENEFIT FUNDS				
a)	Reconcilation of amounts recognised in the balance sheet is as follow:				
	Present value of defined benefit obligation	984,021	928,899	1,912,920	1,648,747
	Fair value of plan assets	(678,079)	(735,717)	(1,413,796)	(1,494,461)
	Deficit	305,942	193,182	499,124	154,286
	Net actuarial losses not recognized	(287,363)	(193,182)	(480,545)	(149,018)
		18,579	–	18,579	5,268
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	831,875	816,872	1,648,747	1,369,088
	Current service cost	62,479	43,241	105,720	86,458
	Interest cost	82,567	80,659	163,226	124,438
	Benefits paid during the year	(39,683)	(21,438)	(61,121)	(53,165)
	Actuarial loss	46,783	9,565	56,348	121,928
	Present value of defined benefit obligation at end of the year	984,021	928,899	1,912,920	1,648,747
c)	The movement in fair value of plan assets is as follows:				
	Fair value of plan assets at beginning of the year	712,744	781,717	1,494,461	1,298,374
	Expected return on plan assets	67,485	79,370	146,855	118,040
	Contributions	68,277	44,530	112,807	93,958
	Benefits paid during the year	(39,683)	(21,438)	(61,121)	(53,165)
	Actuarial (loss)/gain	(130,744)	(148,462)	(279,206)	37,254
	Fair value of plan assets at end of the year	678,079	735,717	1,413,796	1,494,461
d)	Plan assets comprise of:				
	Listed securities	53,441	–	53,441	134,698
	Mutual funds	52,245	66,856	119,101	106,769
	Term deposit receipts	220,280	338,948	559,228	26,200
	Defence Saving Certificates	130,672	157,286	287,958	357,437
	National Investment Trust Units	44,340	77,496	121,836	284,064
	Deposits with banks	135,829	56,881	192,710	453,074
	Pakistan Investment Bonds	41,625	41,901	83,526	122,352
	WAPDA securities	–	–	–	10,286
	Others	(353)	(3,651)	(4,004)	(419)
		678,079	735,717	1,413,796	1,494,461

Investment in debt securities are valued on the basis of discounted cash flow method. Term deposit receipts, deposits with banks and Defence Saving Certificates are stated at amortized cost which approximates their fair value.

		Funded gratuity (Rupees '000)	Funded pension (Rupees '000)	2008 Total (Rupees '000)	2007 Total (Rupees '000)
e)	Actual return on plan assets	(1,585)	8,703	7,118	153,553
	Contributions expected to be paid to the plan during the next financial year	123,956	61,514	185,470	112,635

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

		Funded gratuity (Rupees '000)	Funded pension (Rupees '000)	2008 Total (Rupees '000)	2007 Total (Rupees '000)
g)	Movement in asset recognised in the balance sheet:				
	Opening liability	5,268	–	5,268	3,769
	Expense for the year	81,588	44,530	126,118	95,457
	Payments to the fund during the year	(68,277)	(44,530)	(112,807)	(93,958)
	Closing liability	18,579	–	18,579	5,268
h)	Amount recognised in the profit and loss account is as follows:				
	Current service cost	62,479	43,241	105,720	86,458
	Interest cost	82,567	80,659	163,226	124,438
	Expected return on plan assets	(67,485)	(79,370)	(146,855)	(118,040)
	Actuarial losses recognised	4,027	–	4,027	1,394
	Recognised transitional liability	–	–	–	1,207
		81,588	44,530	126,118	95,457

i) Comparison of present value of defined benefit obligation, fair value of plan assets and deficit of gratuity fund for the current year and previous four years is as follows:

	2008 (Rupees '000)	2007 (Rupees '000)	2006 (Rupees '000)	2005 (Rupees '000)	2004 (Rupees '000)
Present value of defined benefit obligation	984,021	831,875	704,583	631,102	551,353
Fair value of plan assets	(678,079)	(712,744)	(613,389)	(540,975)	(489,980)
Deficit	305,942	119,131	91,194	90,127	61,373
Experience adjustments					
– on obligations	(46,783)	(49,543)	2,278	(2,658)	(42,254)
– on plan assets	(130,744)	20,504	10,449	(9,769)	18,680

j) Comparison of present value of defined benefit obligation, fair value of plan assets and (surplus)/deficit of pension fund for the current year and previous four years is as follows:

	2008 (Rupees '000)	2007 (Rupees '000)	2006 (Rupees '000)	2005 (Rupees '000)	2004 (Rupees '000)
Present value of defined benefit obligation	928,899	816,872	664,505	591,310	464,935
Fair value of plan assets	(735,717)	(781,717)	(684,985)	(565,789)	(473,096)
Deficit/(surplus)	193,182	35,155	(20,480)	25,521	(8,161)
Experience adjustments					
– on obligations	(9,565)	(72,385)	3,510	(64,734)	39,866
– on plan assets	(148,462)	16,750	42,491	31,981	15,913

k) Principal actuarial assumptions used in the actuarial valuations carried out as at December 31, 2008 are as follows:

	2008		2007	
	Funded gratuity	Funded Pension	Funded gratuity	Funded Pension
Discount rate	14%-15%	14%	10%	10%
Expected rate of salary growth	13%-15%	14%	10%-12%	11%-12%
Expected rate of return on plan assets	10%-14%	14%	10%	10%

l) "Salaries, wages and benefits" expense, stated in notes 26 and 27 include retirement benefits in respect of gratuity, provident fund, pension plans and compensated absences amounting to Rs. 81,588 thousand, Rs. 77,221 thousand, Rs 44,530 thousand and Rs 94,491 thousand respectively (2007: Rs 59,985 thousand, Rs 66,186 thousand, Rs 35,472 thousand and Rs 85,783 thousand respectively).

	Note	2008 (Rupees '000)	2007 (Rupees '000)
10. INTEREST AND MARK-UP ACCRUED			
On long term financing			
From banking companies and financial institutions		215,042	158,713
From PKIC, an associated undertaking - FFBL		3,410	3,791
On murabaha financing		2,886	3,207
On short term borrowings		566,818	142,606
		788,156	308,317
11. SHORT TERM BORROWINGS - secured			
From banking companies			
Short term import credit - FFC		–	2,931,081
Short term running finance	11.1	11,432,163	6,085,341
Finance against trust receipts	11.2	9,938,919	–
		21,371,082	9,016,422

11.1 Short term running finance

FFBL has arranged short term facilities from various banks on mark-up basis with limits aggregating Rs. 11,750,000 thousand (2007: Rs. 7,600,000 thousand). These facilities carry mark-up ranging from 9.54% to 17.05% per annum (2007: 5.4 % to 10.5% per annum) and are secured by hypothecation charge over stocks and current assets of FFBL and lien on bank deposits. The purchase prices are repayable on various dates by the FFBL.

Short term running finance facilities are available to FFC from various banks under mark-up arrangements amounting to Rs 7,250,000 thousand (2007: Rs. 7,500,000 thousand) which represent the aggregate of sale prices of all mark-up agreements between FFC and the banks. These facilities have various maturity dates upto September 10, 2009.

FFC's running finances are secured by first pari passu and ranking hypothecation charges of present and future current assets and fixed assets of FFC. The rates of mark-up range from one month KIBOR + 0.75% to 2.00% per annum to 3 months' KIBOR + 2.18% per annum (2007: one month KIBOR + 0.40% to 0.50% per annum to six months' KIBOR + 0.25% per annum).

11.2 Finance against trust receipts

FFBL has arranged finance against trust receipt facilities from various banks on mark-up basis with limits aggregating Rs. 15,900,000 thousand (2007: Rs. Nil). These facilities carry mark-up ranging from 10.55% to 17.47% per annum (2007: Nil per annum) and are secured by hypothecation charge over stocks and current assets of FFBL and lien on bank deposits. The purchase prices are repayable in one year on various dates by the FFBL.

			2008 (Rupees '000)	2007 (Rupees '000)
12.	CONTINGENCIES AND COMMITMENTS			
	a)	Contingencies		
	i)	Guarantees issued by banks on behalf of the Group companies.	42,198	48,586
	ii)	Disputed demands for income tax and levy of contribution to Workers' Welfare Fund related to former PSFL decided in favour of FFC by the Income Tax Appellate Authorities, are currently in appeal by the department. FFC is confident that there are reasonable grounds for a favourable decision.	178,590	178,590
	iii)	Income tax demands, not acknowledged as debt, have been challenged by FFBL and are currently in appeal; FFBL expects favourable outcome of appeal.	41,306	49,118
	iv)	Claims against the Group companies and/or potential exposure not acknowledged as debt.	66,520	63,043
	v)	Indemnity bonds and undertakings given to the customs authorities for machinery imported by FFBL for installation at plant site.	119,650	119,650
	vi)	Group's share of contingencies in Fauji Cement Company Limited as at September 30, 2008.	172,056	–
	b)	Commitments		
	i)	Contracted capital expenditure.	3,141,478	1,467,866
	ii)	Purchase of fertilizer, stores, spares and other revenue items.	768,402	1,112,529
	iii)	Group's share of commitments in Pakistan Maroc Phosphore S.A. (a joint venture with OCP) as at September 30, 2008.	–	2,509,620
	iv)	Group's share of investment in Fauji Cement Company Limited.	–	1,800,000
	v)	Rentals under lease agreements:		
		Premises – not later than one year	35,689	29,191
		– later than one year and not later than five years		
		two years	28,720	26,399
		three years	10,415	22,069
		four years	2,534	8,718
		five years	720	2,534
		Vehicles – not later than one year	89,625	81,896
		– later than one year and not later than five years		
		two years	57,408	66,062
		three years	56,860	41,462
		four years	30,814	37,423
		five years	13,748	14,780
		– later than five years	–	4,343

13. PROPERTY, PLANT AND EQUIPMENT

	Owned assets													Leased	
	Freehold land	Lease hold land	Buildings & structures on freehold land	Buildings & structures on leasehold land	Railway sidings	Plant and machinery	Catalysts	Office and electrical equipments	Furniture and fixtures	Vehicles	Maintenance and other equipments	Library books	Capital work in progress (note 13.3)	Vehicles	Total
															(Rupees '000)
COST															
Balance as at Jan 01, 2007	312,924	295,750	1,924,705	1,509,802	26,517	36,949,832	523,719	319,423	107,443	338,172	775,583	12,705	2,330,117	13,635	45,440,327
Additions during the year	25,877	96,350	220,565	12,860	–	2,816,609	122,510	36,459	29,480	43,910	171,692	2,410	4,066,264	–	7,644,986
Disposals	–	–	–	–	–	(159,158)	(81,036)	(9,592)	(1,624)	(22,346)	(24,396)	(149)	–	–	(298,301)
Transfers/adjustments	–	–	–	(11,167)	–	(50,573)	–	(12,084)	8,492	2,817	109	(58)	(3,282,474)	(2,817)	(3,347,755)
Balance as at Dec 31, 2007	338,801	392,100	2,145,270	1,511,495	26,517	39,556,710	565,193	334,206	143,791	362,553	922,988	14,908	3,113,907	10,818	49,439,257
Balance as at Jan 01, 2008	338,801	392,100	2,145,270	1,511,495	26,517	39,556,710	565,193	334,206	143,791	362,553	922,988	14,908	3,113,907	10,818	49,439,257
Additions during the year	9,585	–	302,198	4,125	–	759,089	233,275	44,963	19,069	50,660	154,522	2,563	3,850,630	–	5,430,679
Disposals	–	–	–	–	–	(75)	(31,239)	(10,529)	(1,667)	(23,008)	(10,548)	–	–	–	(77,066)
Transfers/adjustments	–	–	–	–	–	1,602,272	–	1,030	–	10,818	(3,944)	–	(3,428,116)	(10,818)	(1,828,758)
Balance as at Dec 31, 2008	348,386	392,100	2,447,468	1,515,620	26,517	41,917,996	767,229	369,670	161,193	401,023	1,063,018	17,471	3,536,421	–	52,964,112
DEPRECIATION															
Balance as at Jan 01, 2007	–	84,895	1,160,220	347,607	26,517	17,947,932	217,136	205,563	55,214	206,743	628,996	10,300	–	10,909	20,902,032
Charge for the year	–	14,375	76,003	44,237	–	1,433,294	118,650	33,008	15,724	58,056	86,557	1,771	–	2,163	1,883,838
Depreciation on disposals	–	–	–	–	–	(55,875)	(81,036)	(8,687)	(1,496)	(20,448)	(24,142)	(45)	–	–	(191,729)
Transfers/adjustments	–	–	–	(2,680)	–	5,965	–	(6,997)	67	2,254	66	(58)	–	(2,254)	(3,637)
Balance as at Dec 31, 2007	–	99,270	1,236,223	389,164	26,517	19,331,316	254,750	222,887	69,509	246,605	691,477	11,968	–	10,818	22,590,504
Balance as at Jan 01, 2008	–	99,270	1,236,223	389,164	26,517	19,331,316	254,750	222,887	69,509	246,605	691,477	11,968	–	10,818	22,590,504
Charge for the year	–	18,962	87,651	44,214	–	1,592,765	132,225	34,236	11,259	51,906	106,575	1,793	–	–	2,081,586
Depreciation on disposals	–	–	–	–	–	(59)	(31,239)	(8,868)	(1,421)	(19,636)	(10,145)	–	–	–	(71,368)
Transfers/adjustments	–	–	–	–	–	(206,568)	–	(3,984)	–	10,818	(3,975)	–	–	(10,818)	(214,527)
Balance as at Dec 31, 2008	–	118,232	1,323,874	433,378	26,517	20,717,454	355,736	244,271	79,347	289,693	783,932	13,761	–	–	24,386,195
Written down value as at															
Dec 31, 2007	338,801	292,830	909,047	1,122,331	–	20,225,394	310,443	111,319	74,282	115,948	231,511	2,940	3,113,907	–	26,848,753
Written down value as at															
Dec 31, 2008	348,386	273,868	1,123,594	1,082,242	–	21,200,542	411,493	125,399	81,846	111,330	279,086	3,710	3,536,421	–	28,577,917
Rate of depreciation in %	–	6 1/4	5 to 10	5	5	5	20	15	10	20	15 – 33.33	30	–	20	–

		Note	2008 (Rupees '000)	2007 (Rupees '000)
13.1	Depreciation charge has been allocated as follows:			
	Cost of sales	26	2,056,603	1,859,939
	Administrative expenses and distribution cost	27	24,983	23,899
			2,081,586	1,883,838

13.2 Details of property, plant and equipment sold

Description	Cost	Book value	Sale proceeds
		(Rupees '000)	
Vehicles			
As per Group companies' policy to employees			
Lt. Gen (R) Muhammad Akram	1,279	256	173
Brig (R) Tariq Mahmood	939	141	94
Brig (R) Hassan Akhtar Ghani	939	79	94
Maj (R) Sajjad Nazir Dar	927	774	664
Mr. Mudassar Naveed	995	861	1,007
Mr. Abdul Qayyum Khan	879	474	700
Insurance claim	5,364	2,761	4,128
Aggregate of items of property, plant and equipment with individual book values below Rs 50 thousand	65,744	352	11,493
2008	77,066	5,698	18,353
2007	298,301	106,572	26,861

		Note	2008 (Rupees '000)	2007 (Rupees '000)
13.3	CAPITAL WORK IN PROGRESS			
	Civil works		331,365	157,890
	Plant and machinery including advances to suppliers		3,205,056	2,956,017
			3,536,421	3,113,907
14.	LONG TERM INVESTMENTS			
	Equity accounted investments	14.1	5,024,447	2,117,075
	Other long term investments	14.2	786,525	866,874
			5,810,972	2,983,949

		Note	2008 (Rupees '000)	2007 (Rupees '000)
14.1	Equity accounted investments			
	Investment in associated company – under equity method	14.1.1		
	Fauji Cement Company Limited			
	Cost of investment		1,800,000	–
	Share of post acquisition profits		65,256	–
	Balance as at December 31, 2008		1,865,256	–
	Investment in joint venture – under equity method	14.1.2		
	Pakistan Maroc Phosphore S.A. Morocco			
	Cost of investment		2,117,075	2,117,075
	Share of profit		183,518	–
	Gain on translation of net assets	14.1.4	858,598	–
	Balance as at December 31, 2008		3,159,191	2,117,075
			5,024,447	2,117,075
14.2	Other long term investments			
	Investments available for sale	14.2.1		
	Certificates of Investment		232,648	259,835
	Pakistan Investment Bonds		568,271	652,932
	Term Finance Certificates		47,453	53,718
	Arabian Sea Country Club Limited (ASCCL)			
	(300,000 shares of Rs. 10 each)		3,000	3,000
	Less: Impairment in value of investment		(3,000)	(3,000)
			–	–
			848,372	966,485
	Less: Current portion shown under short term investments	23		
	Investments available for sale			
	Certificates of investment		61,828	99,589
	Term Finance Certificates		19	22
			61,847	99,611
			786,525	866,874

14.1.1 Investment in associated company – under equity method

During the year Group companies have made investment in FCCL. Fair value of investment in FCCL as at December 31, 2008 was Rs. 528,750 thousand. The Group companies hold 15.16% interest in FCCL which is less than 20%, however it is concluded that the Group companies have significant influence due to their representation on the Board of Directors of FCCL.

FFC is committed not to dispose off its investment in FCCL so long as the loan extended to FCCL by The Royal Bank of Scotland Limited (Formerly known as ABN AMRO (Pakistan) Limited remains outstanding or without prior consent of FCCL.

14.1.2 Investment in joint venture – under equity method

Cost of investment represents equivalent to Moroccan Dirhams 300,000 thousand representing 37.50% interest in Pakistan Maroc Phosphore S.A. Morocco (PMP), a joint venture between the Group companies, Fauji Foundation 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 Group companies cannot sell the shares of PMP outside Fauji Group (consisting of FFC, FFBL and Fauji Foundation) 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 Group companies have also committed not to pledge shares of PMP without prior consent of PMPs' lenders.

14.1.3 Summary financial information for equity accounted investees as per their financial statements, not adjusted for the percentage ownership of the Group companies:

	September 2008	September 2007	September 2008	September 2007
	(Rupees '000)			
	PMP (Joint venture)		FCCL (Associate)	
Non – current assets	16,766,051	9,539,448	7,890,671	–
Non – current liabilities	(7,449,854)	(2,491,648)	(561,303)	–
Current assets	30,212,344	266,384	4,252,059	–
Current liabilities	(30,569,599)	(897,820)	(2,148,419)	–
Revenue (6 months' for FCCL and 9 months' for PMP)	18,316,035	22,693	2,456,740	–
Expenses (6 months' for FCCL and 9 months' for PMP)	(17,002,377)	(29,563)	(1,976,375)	–
Profit/ (loss) (6 months' for FCCL and 9 months' for PMP)	1,313,658	(6,870)	480,365	–

Financial statements for the period ended September 30, 2008 have been used for accounting under equity method as these were the latest financial statements approved by the Board of Directors of FCCL and PMP.

14.1.4 This represents Group companies share of translation reserve of PMP. This has arisen due to significant increase in exchange rate parity between the Moroccon Dirhams and Pak Rupees.

14.2.1 Investments available for sale

Certificates of Investment (COI)

These represent placements in certificates of investment of a financial institution for periods ranging from one to five years at profit rates ranging from 6% to 15% per annum.

Pakistan Investment Bonds (PIBs)

These were purchased for a period of 10 years with remaining period ranging between 2 to 4 years. Profit is payable on a half yearly basis at rates ranging from 11% to 14% per annum.

Term Finance Certificates (TFCs)

These include 9,990 certificates of Rs 5,000 each of Pakistan Mobile Communications Limited. Profit is payable on a half yearly basis at the rate of six months' KIBOR +2.85% per annum.

Arabian Sea Country Club Limited (ASCCL)

As per audited accounts of ASCCL for the year ended June 30, 2008, the break-up value of an ordinary share was Rs 7.85 (June 30, 2007: Rs 9.36).

		Note	2008 (Rupees '000)	2007 (Rupees '000)
15.	LONG TERM LOANS AND ADVANCES			
	Loans and advances- considered good, to:			
	Executives		104,039	84,027
	Other employees		97,138	88,573
			201,177	172,600
	Less: Amount due within twelve months, shown under current loans and advances	20	38,075	29,818
			163,102	142,782

15.1 Reconciliation of carrying amount of loans and advances to executives and other employees:

	Opening balance as at January 01, 2008	Disbursements	Repayments	Closing balance as at December 31, 2008
	(Rupees '000)			
Executives	84,027	55,320	35,308	104,039
Other employees	88,573	16,545	7,980	97,138
	172,600	71,865	43,288	201,177
2007	117,481	109,880	54,761	172,600

These represent secured house building loans, house rent advances and advances pursuant to agreement with workers which are repayable within one to ten years. House building loans carry mark-up at 4% per annum.

The maximum amount of advances to executives outstanding at the end of any month during the year was Rs 134,262 thousand (2007: Rs 85,966 thousand).

		2008 (Rupees '000)	2007 (Rupees '000)
16.	LONG TERM DEPOSITS AND PREPAYMENTS		
	Deposits	16,752	16,527
	Prepayments	–	845
	Lease key money	–	1,623
		16,752	18,995
	Less : Current portion	–	(1,623)
		16,752	17,372
17.	STORES, SPARES AND LOOSE TOOLS		
	Stores	178,079	133,732
	Spares	4,105,574	3,434,077
	Provision for slow moving and surplus items	(303,995)	(173,308)
		3,801,579	3,260,769
	Loose tools	279	240
	Items in transit	476,898	279,817
		4,456,835	3,674,558

		Note	2008 (Rupees '000)	2007 (Rupees '000)
18.	STOCK IN TRADE			
	Raw and packing materials		202,547	387,311
	Work in process		48,301	29,791
	Finished goods:			
	Manufactured fertilizers	18.1	5,650,302	416,981
	Purchased fertilizers		33,683	396,699
			5,934,833	1,230,782

18.1 This includes adjustment of Rs. 1,364,208 thousand (2007: Nil) for writing down the stock of Phosphoric Acid and DAP of FFBL to net realisable value. After this adjustment, the value of Phosphoric Acid and DAP stocks at the year end are Rs. 26,829 thousand and Rs. 5,557,786 thousand respectively.

		Note	2008 (Rupees '000)	2007 (Rupees '000)
19.	TRADE DEBTS			
	Considered good			
	Secured		763,861	1,952,505
	Unsecured		15,680	12,890
			779,541	1,965,395
	Due from Fauji Foundation, an associated undertaking - unsecured			
	- Considered good		1,842	958
	- Considered doubtful		1,758	1,904
			783,141	1,968,257
	Provision for doubtful debts		(1,758)	(1,904)
			781,383	1,966,353
20.	LOANS AND ADVANCES			
	Advances to:			
	Executives – unsecured – considered good		23,691	20,115
	Other employees – considered good		13,905	13,328
			37,596	33,443
	Advances to suppliers and contractors			
	Considered good		125,910	100,175
	Considered doubtful		45	45
			125,955	100,220
	Provision for doubtful advances		(45)	(45)
			125,910	100,175
	Current portion of long term loans and advances	15	38,075	29,818
			201,581	163,436
21.	DEPOSITS AND PREPAYMENTS			
	Deposits (including current portion of long term deposits)		57,017	7,983
	Prepayments		55,228	34,149
			112,245	42,132

		Note	2008 (Rupees '000)	2007 (Rupees '000)
22.	OTHER RECEIVABLES			
	Accrued income on investments and bank deposits		127,702	141,319
	Advance tax	22.1	322,368	476,489
	Receivable from WPPF – Unsecured	22.2	654,799	–
	Sale tax refundable – net		161,977	53,100
	Subsidy receivable from Government of Pakistan (GOP)	22.3	12,440,060	1,664,989
	Other receivables – considered good	22.4	191,379	107,244
	– considered doubtful		55,714	55,714
			247,093	162,958
	Provision for doubtful receivables		(55,714)	(55,714)
			191,379	107,244
			13,898,285	2,443,141

22.1 This represents tax paid by PSFL in excess of admitted tax liabilities net of adjustments of determined refunds. FFC intends to adjust the remaining amount after finalisation of pending re-assessments by the taxation authorities.

22.2 This includes Rs.622,286 thousand which represents amount paid to WPPF in prior years' in excess of FFC's obligation and profit earned thereon. Corresponding effect of this receivable is included in other income (note 30).

22.3 This represents amount of DAP subsidy of FFBL from GOP recognised in accordance with Ministry of Food, Agriculture and Livestock (MINFAL) notification No. 7-1/2006-Fert dated 29th September, 2006. Effective July 01, 2008 the amount of DAP subsidy increased from Rs 470 per bag to Rs 2,200 per bag till December, 2008. The total amount of subsidy on production of 470,999 tonnes of DAP during the year 2008 amounted to Rs 15,522,573 thousand (2007: Rs 2,797,017 thousand on production of 356,706 tonnes) which is represented as follows:

Period	Production (Tonnes)	Equivalent 50kg Bags (20 bags/tonne)	Subsidy Rs./Bag	Subsidy Amount (Rupees '000)	Notification Number
January to June 2008	150,329	3,006,580	470	1,413,093	No.F.4-13/2000–Fert dated July 6, 2007.
July to December 2008	320,670	6,413,400	2,200	14,109,480	No.F.4-13/2000 – Fert dated Sep 5, 2008.
	470,999	9,419,980		15,522,573	

22.4 This includes unsecured receivable of FFBL from Fauji Foundation (an associated undertaking) amounting to Rs. 25 thousand (2007: 16 thousand).

	Note	2008 (Rupees '000)	2007 (Rupees '000)
23. SHORT TERM INVESTMENTS			
Term deposits with banks and financial institutions			
Available for sale			
Local currency (net of provision for doubtful			
recovery Rs 13,000 thousand)	23.1	1,875,000	1,350,000
Foreign currency	23.1	1,033,936	841,296
Investments at fair value through profit or loss- Held for trading			
Fixed income / money market funds		540,780	2,481,419
Loans and receivables		–	2,150,000
Current maturity of long term investments			
Available for sale		61,847	99,611
		3,511,563	6,922,326

23.1 These represent investments having maturities ranging between 1 to 6 months.

	2008 (Rupees '000)	2007 (Rupees '000)
24. CASH AND BANK BALANCES		
At banks:		
Deposit accounts		
Local currency	7,515,680	4,688,281
Foreign currency	24,241	13,187
Current accounts		
Local currency	1,185,477	300,777
	8,725,398	5,002,245
Drafts in hand and in transit	146,331	146,716
Cash in hand	1,660	1,608
	8,873,389	5,150,569

Balances with banks include Rs 113,895 thousand (2007: Rs 89,380 thousand) in respect of security deposits received. Local currency deposit accounts include Rs 15,000 thousand (2007: Rs 15,000 thousand) under lien of a bank, against a guarantee issued on behalf of FFC. FFBL deposits accounts include Rs. 1,858,133 thousand (2007: Rs. 2,212,625 thousand) which are under pledge with commercial banks against letters of credit and for short term borrowings. In addition Rs. 410,896 thousand (2007: Rs. 163,655 thousand) are held under lien by the commercial banks against bank guarantees issued on behalf of FFBL.

25. SALES

Sales include Rs 3,543,232 thousand (2007: Rs 6,465,584 thousand) in respect of sale of purchased fertilizers and are exclusive of trade allowances and sales tax of Rs 737,962 thousand and Rs 1,429,434 thousand respectively (2007: Rs 790,566 thousand and Rs 3,170,604 thousand).

		Note	2008 (Rupees '000)	2007 (Rupees '000)
26.	COST OF SALES			
	Raw materials consumed	26.1	41,250,894	12,314,561
	Fuel and power		5,982,227	4,474,270
	Chemicals and supplies		355,643	243,345
	Salaries, wages and benefits		2,651,889	2,051,729
	Training and employees benefits		361,681	307,991
	Rent, rates and taxes	26.2	39,620	38,474
	Insurance		149,320	146,931
	Travel and conveyance	26.2	186,999	149,904
	Repairs and maintenance (includes stores and spares consumed of Rs. 546,964 thousand; (2007: Rs. 557,841 thousand)	26.3	1,388,931	1,346,567
	Depreciation	13.1	2,056,603	1,859,939
	Communication and other expenses		642,521	574,387
	Opening stock - work in process		29,791	28,285
	Closing stock - work in process		(48,301)	(29,791)
	Subsidy on DAP fertilizer from Government of Pakistan	22.3	(15,522,573)	(2,797,017)
	Cost of goods manufactured		39,525,245	20,709,575
	Opening stock of manufactured fertilizers		416,981	133,620
	Closing stock of manufactured fertilizers		(5,650,302)	(416,981)
			(5,233,321)	(283,361)
	Cost of sales- own manufactured fertilizers		34,291,924	20,426,214
	Opening stock of purchased fertilizers		396,699	979,486
	Purchase of fertilizers for resale	26.4	2,174,504	4,722,834
			2,571,203	5,702,320
	Closing stock of purchased fertilizers		(33,683)	(396,699)
	Cost of sales- purchased fertilizers		2,537,520	5,305,621
			36,829,444	25,731,835

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

26.2 These include operating lease rentals amounting to Rs 59,035 thousand (2007: Rs 47,769 thousand).

26.3 This includes provision for slow moving and surplus spares amounting to Rs 134,983 thousand (2007: Rs 43,713 thousand).

26.4 Cost of purchased fertilizer of FFC is net of subsidy of Rs 470 per bag (2007: Rs 250 per bag to Rs 470 per bag) on potassic and phosphatic fertilizers as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan.

		Note	2008 (Rupees '000)	2007 (Rupees '000)
27.	ADMINISTRATIVE EXPENSES AND DISTRIBUTION COST			
	Product transportation		3,279,394	2,470,126
	Salaries, wages and benefits		790,132	659,651
	Rent, rates and taxes	27.1	77,732	73,993
	Insurance		581	1,016
	Technical services		8,137	5,810
	Travel and conveyance	27.1	113,549	96,874
	Sale promotion and advertising		45,984	36,641
	Communication and other expenses		62,087	43,350
	Warehousing expenses		45,477	80,669
	Depreciation	13.1	24,983	23,899
	Administrative expenses		203,744	126,762
			4,651,800	3,618,791

27.1 These include operating lease rentals amounting to Rs 69,150 thousand (2007: Rs 72,619 thousand).

		2008 (Rupees '000)	2007 (Rupees '000)
28.	FINANCE COST		
	Mark-up on long term financing and murabaha	634,285	436,692
	Mark-up on long term financing from PKIC, an associated company	14,092	16,189
	Mark-up on short term borrowings	1,544,978	793,871
	Exchange loss	1,281,902	81,516
	Interest on Workers' Profit Participation Fund	283	246
	Finance charges on leased property, plant and equipment	29	206
	Bank charges	11,773	5,405
		3,487,342	1,334,125

Borrowing cost capitalised during the year amounted to Rs 131,969 thousand at an average rate of 12.80% per annum (2007: 33,070 thousand).

		2008 (Rupees '000)	2007 (Rupees '000)
29.	OTHER EXPENSES		
	Research and development	153,773	118,712
	Workers' Profit Participation Fund	757,485	604,740
	Workers' Welfare Fund	288,919	375,178
	Loss on sale of property, plant and equipment	–	79,711
	Property, plant and equipment written off	257,332	–
	Auditors' remuneration		
	Audit fee	1,674	1,562
	Fee for half yearly review, audit of consolidated accounts and certifications for Government and related agencies	830	1,505
	Out of pocket expenses	150	150
		1,460,163	1,181,558

		Note	2008 (Rupees '000)	2007 (Rupees '000)
30.	OTHER INCOME			
	Income from financial assets			
	Income on loans, deposits and investments		923,670	758,434
	(Loss)/gain on remeasurement of investments at fair value			
	through profit or loss – Held for trading		(181,711)	122,064
	Dividend income		125,638	29,248
	Loss on disposal of investments at fair value			
	through profit or loss- Held for trading		(27,517)	–
	Exchange gain		240,792	7,205
	Gain on sale of investments		140,042	6,790
			1,220,914	923,741
	Income from non-financial assets			
	Gain on sale of property, plant and equipment		12,655	–
	Other income			
	Compensation from GOP	30.1	600,000	600,000
	Scrap sales		79,610	57,477
	WPPF	22.2	622,286	–
	Others		12,968	4,303
			1,314,864	661,780
			2,548,433	1,585,521

30.1 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. 4.4 billion have been received from GOP. GOP compensation of Rs. 600,000 thousand which was receivable in June 2008 is yet to be received. However, this has been accrued in the books of FFBL subject to netting off the agreed GOP loan repayment of Rs. 648,201 thousand for the year 2008.

		2008 (Rupees '000)	2007 (Rupees '000)
31.	PROVISION FOR TAXATION		
	Current – for the year	4,738,206	2,505,000
	– prior years'	99,000	–
	Deferred – for the year	195,603	1,308,896
		5,032,809	3,813,896
31.1	Reconciliation of tax charge for the year		
	Profit before taxation	13,802,156	10,407,991

	2008 %	2007 %
Applicable tax rate	35.00	35.00
Add: Tax effect of amounts that are not deductible for tax purpose	1.31	0.91
Tax effect of intra group transactions	0.55	0.97
Less: Tax effect of amounts taxed at lower rates	(0.31)	(0.07)
Tax effect of rebates and tax credits	(0.09)	(0.17)
Average effective tax rate charged on income	36.46	36.64

	2008 (Rupees '000)	2007 (Rupees '000)
32. CASH GENERATED FROM OPERATIONS		
Net profit before taxation	13,802,156	10,407,991
Adjustments for:		
Depreciation	2,081,586	1,883,838
Provision for slow moving and surplus spares	134,983	43,713
Property, plant and equipment written off	257,332	62
Finance cost	2,273,510	1,247,204
Provision for Workers' Profit Participation Fund	757,485	604,740
Provision for Workers' Welfare Fund	288,919	375,178
Compensation from GOP	(600,000)	(600,000)
Income on loans, deposits and investments	(923,670)	(758,434)
(Gain)/loss on sale of property, plant and equipment	(12,655)	79,711
Provision for gratuity	81,588	59,985
Provision for compensated absences	39,957	28,710
Provision for pension	44,530	35,472
Exchange loss-net	973,902	39,298
Dividend income	(125,638)	(29,248)
Loss/(gain) on remeasurement of investment at fair value through profit or loss – held for trading	181,711	(122,064)
Gain on sale of investments	(140,042)	(6,790)
Share of profits of associate and joint venture	(248,774)	–
Stock in trade written down to net realisable value	1,364,208	–
	6,428,932	2,881,375
	20,231,088	13,289,366
Changes in working capital		
(Increase)/ decrease in current assets:		
Stores and spares	(917,261)	(661,621)
Stock in trade	(6,068,259)	522,658
Trade debts	1,184,970	(773,654)
Loans and advances	(38,145)	(7,031)
Deposits and prepayments	(70,113)	(11,586)
Other receivables	(11,302,278)	72,877
Increase in current liabilities:		
Trade and other payables	2,967,508	1,678,611
	(14,243,578)	820,254
Changes in long term loans and advances	(20,320)	(66,135)
Changes in long term deposits and prepayments	620	2,375
	5,967,810	14,045,860
33. CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,873,389	5,150,569
Short term borrowings	(21,371,082)	(6,085,340)
Short term highly liquid investments	2,922,064	3,754,261
	(9,575,629)	2,819,490

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Financial assets and liabilities

	Interest rates	Interest / mark-up bearing: Maturity upto one year	Maturity after one year and upto two years	Maturity after two years and upto three years	Maturity after three years and upto four years	Maturity after four years and upto five years	Maturity after five years	Sub–total	Non–interest / mark-up bearing: Maturity upto one year	Maturity after one year	Sub–total	2008 Total
		(Rupees `000)										
Financial assets												
Recognised												
Investments												
– Local currency	6% - 19.5%	1,936,847	124,954	446,192	166,398	48,980	–	2,723,371	540,780	–	540,780	3,264,151
– Foreign currency	5.2% - 8%	1,033,936	–	–	–	–	–	1,033,936	–	–	–	1,033,936
Loans and advances	5%	21,328	19,232	17,825	17,521	17,222	44,899	138,027	53,202	47,544	100,746	238,773
Trade debts		–	–	–	–	–	–	–	781,383	–	781,383	781,383
Deposits		–	–	–	–	–	–	–	72,245	1,524	73,769	73,769
Accrued income on investments and deposits		–	–	–	–	–	–	–	122,941	–	122,941	122,941
Other receivables		–	–	–	–	–	–	–	13,424,205	–	13,424,205	13,424,205
Cash and bank balances												
– Local currency	0.5% – 13%	7,515,680	–	–	–	–	–	7,515,680	1,333,468	–	1,333,468	8,849,148
– Foreign currency	3.30%	24,241	–	–	–	–	–	24,241	–	–	–	24,241
		10,532,032	144,186	464,017	183,919	66,202	44,899	11,435,255	16,328,224	49,068	16,377,292	27,812,547
Financial liabilities												
Recognised												
Long term financing	10.40% - 16.70%	1,159,980	2,215,599	1,567,877	1,140,655	577,833	501,666	7,163,610	–	–	–	7,163,610
Long term loan		–	–	–	–	–	–	–	5,833,806	–	5,833,806	5,833,806
Long term murabaha	10.79%	38,679	38,679	19,338	–	–	–	96,696	–	–	–	96,696
Short term finances	9.92% - 15.26%	21,371,082	–	–	–	–	–	21,371,082	–	–	–	21,371,082
Trade and other payables	18.75%	18,437	–	–	–	–	–	18,437	9,150,025	–	9,150,025	9,168,462
Mark – up accrued		–	–	–	–	–	–	–	788,156	–	788,156	788,156
		22,588,178	2,254,278	1,587,215	1,140,655	577,833	501,666	28,649,825	15,771,987	–	15,771,987	44,421,812
Unrecognised												
Guarantees		–	–	–	–	–	–	–	42,198	–	42,198	42,198
Letters of credit		–	–	–	–	–	–	–	768,402	–	768,402	768,402
Contingencies		–	–	–	–	–	–	–	578,122	–	578,122	578,122
Commitments		–	–	–	–	–	–	–	5,049,360	201,219	5,250,579	5,250,579
		–	–	–	–	–	–	–	6,438,082	201,219	6,639,301	6,639,301
		22,588,178	2,254,278	1,587,215	1,140,655	577,833	501,666	28,649,825	22,210,069	201,219	22,411,288	51,061,113

34.2 Financial assets and liabilities

	Interest rates	Interest / mark-up bearing: Maturity upto one year	Maturity after one year and upto two years	Maturity after two years and upto three years	Maturity after three years and upto four years	Maturity after four years and upto five years	Maturity after five years	Sub–total	Non–interest / mark-up bearing: Maturity upto one year	Maturity after one year	Sub–total	2007 Total
		(Rupees `000)										
Financial assets												
Recognised												
Investments												
– Local currency	6% –15%	3,599,610	60,995	136,356	488,133	172,447	8,944	4,466,485	2,481,419	–	2,481,419	6,947,904
– Foreign currency	5.85%	841,296	–	–	–	–	–	841,296	–	–	–	841,296
Loans and advances	4%	19,706	14,930	14,062	12,912	11,404	39,062	112,076	33,974	59,993	93,967	206,043
Trade debts		–	–	–	–	–	–	–	1,966,353	–	1,966,353	1,966,353
Deposits		–	–	–	–	–	–	–	6,360	16,527	22,887	22,887
Accrued income on investments and deposits		–	–	–	–	–	–	–	141,319	–	141,319	141,319
Other receivables		–	–	–	–	–	–	–	1,772,233	–	1,772,233	1,772,233
Cash and bank balances												
– Local currency	0.5% – 9%	4,688,281	–	–	–	–	–	4,688,281	449,101	–	449,101	5,137,382
– Foreign currency	5.35%–6.10%	13,187	–	–	–	–	–	13,187	–	–	–	13,187
		9,162,080	75,925	150,418	501,045	183,851	48,006	10,121,325	6,850,759	76,520	6,927,279	17,048,604
Financial liabilities												
Recognised												
Long term financing	9.5%–12.02%	1,439,444	1,041,231	1,155,515	947,043	519,821	50,000	5,153,054	–	–	–	5,153,054
Long term loan		–	–	–	–	–	–	–	6,482,007	–	6,482,007	6,482,007
Long term murabaha	9.15%	38,679	38,679	38,679	19,336	–	–	135,373	–	–	–	135,373
Short term finances	5.62%–11.59%	9,016,422	–	–	–	–	–	9,016,422	–	–	–	9,016,422
Liabilities against assets												
subject to finance lease	8%	2,651	–	–	–	–	–	2,651	–	–	–	2,651
Trade and other payables	18.75%	444,740	–	–	–	–	–	444,740	5,047,472	–	5,047,472	5,492,212
Mark – up accrued		–	–	–	–	–	–	–	308,317	–	308,317	308,317
		10,941,936	1,079,910	1,194,194	966,379	519,821	50,000	14,752,240	11,837,796	–	11,837,796	26,590,036
Unrecognised												
Guarantees		–	–	–	–	–	–	–	48,586	–	48,586	48,586
Letters of credit		–	–	–	–	–	–	–	1,112,529	–	1,112,529	1,112,529
Contingencies		–	–	–	–	–	–	–	410,407	–	410,407	410,407
Commitments		–	–	–	–	–	–	–	4,878,953	224,790	5,103,743	5,103,743
		–	–	–	–	–	–	–	6,450,475	224,790	6,675,265	6,675,265
		10,941,936	1,079,910	1,194,194	966,379	519,821	50,000	14,752,240	18,288,271	224,790	18,513,061	33,265,301

34.3 Risk management

a) Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. All the financial assets except cash in hand, are subject to credit risk. The Group companies believe that they are not exposed to major concentration of credit risk. To manage exposure to credit risk, the Group companies apply credit limits to its customers besides obtaining guarantees and by dealing with variety of major banks and financial institutions.

b) Foreign exchange risk management

Financial assets and liabilities exposed to foreign exchange rate risk amount to Rs 1,058,177 thousand (2007: Rs 854,483 thousand) and Rs 4,212,313 thousand (2007: Rs 2,931,081 thousand) respectively at the year end.

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currencies. Currently, the Group companies' foreign exchange risk exposure is restricted to foreign currency investments and liabilities. As both foreign currency assets and liabilities are denominated in US Dollars, the Group companies' exposure emanating from any fluctuations in the Pak Rupee / US Dollar parity gets hedged to a large extent.

c) Mark-up rate risk

Financial assets and liabilities include balances of Rs 11,435,255 thousand (2007: Rs 10,121,325 thousand) and Rs 28,649,825 thousand (2007: Rs 14,752,240 thousand) respectively, which are subject to interest rate risk. The Group companies have long term Rupee and foreign currency based loans at variable and fixed rates. Applicable interest rates for financial assets and liabilities have been indicated in respective notes.

The Group companies manage interest rate risk by investing excess cash in variety of different investments including investment in foreign currency.

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Group companies' treasury aim at maintaining flexibility in funding by keeping committed credit lines.

e) Capital management

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

34.4 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values except those which are carried at amortised cost.

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Group are given below:

	2008		2007	
	Chief Executives	Executives	Chief Executives	Executives
	(Rupees '000)		(Rupees '000)	
Managerial remuneration	6,759	820,905	6,620	717,264
Contribution to provident fund	359	44,332	345	36,938
Bonus and other awards	2,657	193,386	138	93,704
Good performance award	424	327,942	–	203,061
Others	4,291	292,033	3,667	235,187
Total	14,490	1,678,598	10,770	1,286,154
No. of persons	2	448	2	403

The above were provided with medical facilities; the chief executive and certain executives were also provided with some furnishing items and vehicles in accordance with the Company's policy. Gratuity is payable to the chief executives in accordance with the terms of employment while contributions for executives in respect of gratuity and pension are based on actuarial valuations. Leave encashment of Rs 2,833 thousand (2007: Rs 8,777 thousand) was paid to the executives on separation, in accordance with the Group Companies' policy.

In addition, 21 (2007: 20) directors were paid aggregate fee of Rs 1,449 thousand (2007: Rs 188 thousand).

36. RELATED PARTY TRANSACTIONS

Fauji Foundation holds 44.35% (2007: 44.35%) shares of FFC at the year end. Therefore all subsidiaries and associated undertakings of Fauji Foundation are related parties of FFC and FFBL. In addition, Pak Kuwait Investment Company (Pvt) Limited (PKIC), Pak Maroc Phosphore S.A. Morocco and Fauji Cement Company Limited are also related parties of the Group companies due to common directorship. The related parties comprise of directors, key management personnel, entities over which the directors are able to exercise influence and employees' funds. Transactions with related parties and balances outstanding at the year end are given below. Loans and advances to executives and remuneration of chief executives, directors and executives are disclosed in notes 15, 20 and 35 to the consolidated financial statements.

	2008 (Rupees '000)	2007 (Rupees '000)
Transactions with associated undertaking/companies due to common directorship		
Long term investment	1,800,000	–
Sale of fertilizer	4,043	2,325
Rent charged to the Group companies	4,118	3,836
Dividend paid	3,304,976	3,090,999
Repayment of principal portion of long term finance	45,714	45,714
Financial charges	14,092	16,189
Medical services	7	69
Purchase of gas as feed and fuel stock	9,501,499	8,154,469
Technical services received	25,983	14,756
Others	3,324	2,570
Loan balance payable at the year end – secured	114,286	160,000
Balance payable at the year end – unsecured	474,808	402,405
Balance receivable at the year end – unsecured	1,871	1,257
Transactions with joint venture company		
Raw material purchased	26,717,686	–
Expenses incurred on behalf of joint venture company	23,930	10,387
Balances payable at the year end – secured	4,212,313	–
Balance receivable at the year end – unsecured	20,501	–
Other related parties		
Payments to:		
Employees' Provident Fund Trust	179,390	156,459
Employees' Gratuity Fund Trust	68,277	58,486
Employees' Pension Fund Trust	44,530	35,472
Workers' Profit Participation Fund	1,235,021	550,211
Balances (receivable)/payable at the year end – unsecured	(636,220)	994,905

37. POST BALANCE SHEET EVENT

The Board of Directors of FFC in their meeting held on January 29, 2009 have proposed a final dividend of Rs 3.25 per share, bonus shares of 0.25 per share, increase in authorized share capital by Rs 5 billion and movement from general reserve to unappropriated profit by Rs 250 million. Dividend of Rs 2.25 per share has been proposed by the Board of Directors of FFBL on January 20, 2009.

	2008 (Tonnes '000)	2007 (Tonnes '000)
38. GENERAL		
38.1 Production capacity		
Design capacity		
Urea	2,599	2,455
DAP	446	446
Production		
Urea	2,990	2,808
DAP	471	357

38.2 Facilities of letters of guarantee and letters of credit

Facilities of letters of guarantee and letters of credit amounting to Rs 40,000 thousand and Rs 8,613,000 thousand (2007: Rs 40,000 thousand and Rs 7,156,000 thousand) respectively are available to FFC against lien on shipping/ title documents and charge on assets of FFC.

38.3 Donations aggregating Rs 35,895 thousand i.e, 0.41% of net profit (2007: Rs 49,072 thousand i.e, 1% of net profit), included under cost of sales and distribution cost do not include any amount paid to any person or organisation in which the chief executive, directors or their spouses had any interest.

38.4 These consolidated financial statements have been authorised for issue by the Board of Directors of FFC on January 29, 2009.

Chairman | Chief Executive | Director

Number of Shareholders	Shareholding From	To	Shares Held	Percentage
1509	1	100	82,368	0.0166
1758	101	500	580,384	0.1176
1849	501	1000	1,643,376	0.3330
2280	1001	5000	5,922,754	1.2002
668	5001	10000	5,030,846	1.0194
280	10001	15000	3,474,555	0.7041
181	15001	20000	3,246,617	0.6579
117	20001	25000	2,668,838	0.5408
74	25001	30000	2,044,766	0.4143
41	30001	35000	1,331,953	0.2699
47	35001	40000	1,772,569	0.3592
22	40001	45000	945,978	0.1916
44	45001	50000	2,122,756	0.4301
29	50001	55000	1,519,419	0.3079
17	55001	60000	977,486	0.1980
11	60001	65000	700,288	0.1419
18	65001	70000	1,217,893	0.2467
11	70001	75000	792,027	0.1605
9	75001	80000	699,090	0.1416
11	80001	85000	911,505	0.1847
5	85001	90000	439,694	0.0891
10	90001	95000	921,331	0.1867
13	95001	100000	1,276,934	0.2587
5	100001	105000	509,884	0.1033
7	105001	110000	758,050	0.1536
7	110001	115000	781,534	0.1583
7	115001	120000	821,749	0.1665
9	120001	125000	1,112,181	0.2253
10	125001	130000	1,280,419	0.2594
3	130001	135000	399,390	0.0809
6	135001	140000	827,631	0.1677
1	140001	145000	141,700	0.0287
7	145001	150000	1,038,297	0.2104
7	150001	155000	1,071,819	0.2171
2	155001	160000	316,600	0.0641
1	160001	165000	161,606	0.0327
1	165001	170000	168,931	0.0342
2	170001	175000	343,517	0.0696
2	175001	180000	359,327	0.0728
3	180001	185000	546,717	0.1107
1	190001	195000	190,300	0.0385
4	195001	200000	799,600	0.1620
4	200001	205000	814,291	0.1650
1	205001	210000	207,566	0.0420
2	210001	215000	426,352	0.0863
1	215001	220000	216,700	0.0439
1	220001	225000	223,854	0.0453
1	225001	230000	226,400	0.0458

Number of Shareholders	Shareholding From	Shareholding To	Shares Held	Percentage
1	230001	235000	230,297	0.0466
2	235001	240000	474,524	0.0961
2	240001	245000	485,265	0.0983
2	245001	250000	494,717	0.1002
2	260001	265000	525,461	0.1064
3	275001	280000	832,818	0.1687
2	280001	285000	563,957	0.1142
1	285001	290000	289,700	0.0587
2	290001	295000	581,986	0.1179
1	295001	300000	295,843	0.0599
1	305001	310000	305,876	0.0619
2	325001	330000	652,948	0.1323
1	330001	335000	331,800	0.0672
1	335001	340000	340,000	0.0688
1	340001	345000	345,000	0.0699
2	350001	355000	703,773	0.1426
2	355001	360000	711,842	0.1442
1	370001	375000	372,964	0.0755
1	385001	390000	387,100	0.0784
2	390001	395000	788,300	0.1597
3	395001	400000	1,191,880	0.2415
1	405001	410000	405,394	0.0821
1	410001	415000	412,840	0.0836
1	425001	430000	427,500	0.0866
1	430001	435000	430,950	0.0873
1	435001	440000	439,912	0.0891
2	445001	450000	898,828	0.1821
1	460001	465000	460,400	0.0932
1	470001	475000	475,000	0.0962
2	495001	500000	999,193	0.2024
1	525001	530000	525,075	0.1064
1	560001	565000	562,281	0.1139
1	585001	590000	589,347	0.1194
1	595001	600000	595,020	0.1205
1	605001	610000	605,900	0.1227
2	630001	635000	1,266,466	0.2566
1	640001	645000	644,517	0.1306
1	650001	655000	655,000	0.1327
1	670001	675000	673,363	0.1364
1	680001	685000	682,143	0.1382
1	685001	690000	688,634	0.1395
1	695001	700000	700,000	0.1418
1	715001	720000	717,859	0.1454
1	750001	755000	750,024	0.1519
1	760001	765000	765,000	0.1550
1	770001	775000	773,181	0.1566
1	800001	805000	801,100	0.1623
1	805001	810000	809,087	0.1639
1	830001	835000	834,890	0.1691

Serial No.	Categories of Shareholders	No of share-holders	No of Shares held	Percentage %
1	Investment Companies	25	50,802,516	10.29
2	Insurance Companies	19	48,019,060	9.73
3	Joint Stock Companies	235	7,834,238	1.59
4	Financial Institutions	36	28,415,108	5.76
5	Modarabas & Mutual Funds	68	17,014,693	3.45
6	Foreign Investors	69	38,847,449	7.87
7	Charitable Trust & Others	124	247,613,877	50.18
8	Individuals	8637	54,927,289	11.13
	Total Shares	9213	493,474,230	100.00

NIT & ICP (namewise details)	No of Shares
National Investment Trust	48,828,047
Investment Corporation of Pakistan	500
Executives	
Public Sector Companies and Corporations	24,403,363
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas, Mutual Funds	144,251,377
Shareholders holding ten percent or more voting interest	
Fauji Foundation	218,842,864

Form of Proxy

31st Annual General Meeting

I/We ____

of ____

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

Ordinary Shares hereby appoint Mr / Mrs / Miss ______________________

of ______________________ or failing him / her ______________________

of ______________________ as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Thirty First Annual General Meeting of the Company to be held on February 27, 2009 and / or any adjournment thereof.

As witness my / our hand seal this ______________ day of ______________ 2009.

Signed by ____

in the presence of ____

Folio No.	CDC Account No.	
	Participant I.D.	Account No.

Signature on
Five Rupees
Revenue Stamp

The Signature should agree with the specimen registered with the Company

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, 93-Harley Street, Rawalpindi not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instruments of proxies are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
3. For CDC Account Holders / Corporate Entities

In addition to the above the following requirements have to be met.

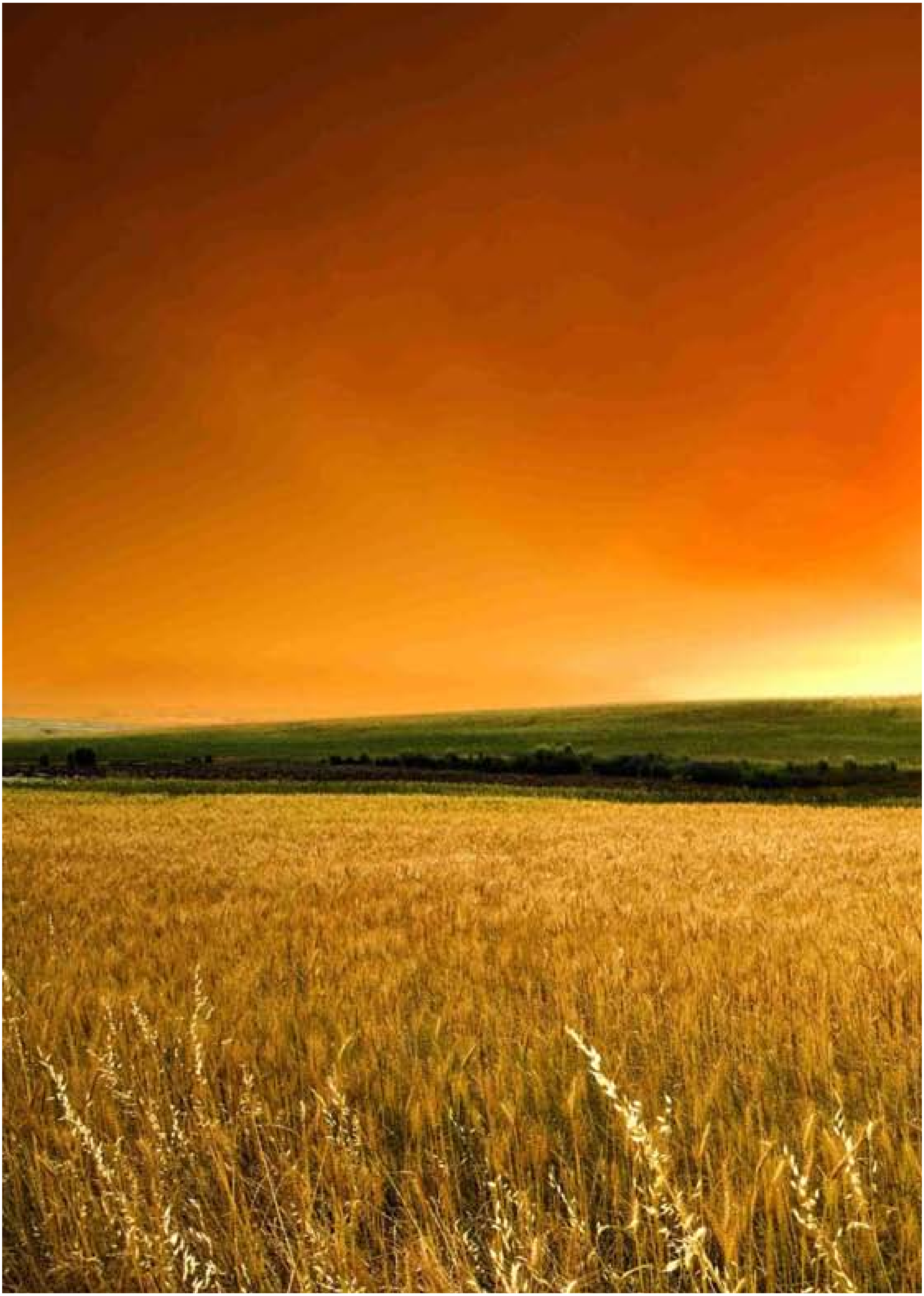
(i) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

(ii) The proxy shall produce his original NIC or original passport at the time of the meeting.

(iii) In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).

AFFIX
CORRECT
POSTAGE

Company Secretary
FAUJI FERTILIZER COMPANY LIMITED
93 - Harley Street,
Rawalpindi.



FAUJI FERTILIZER COMPANY LIMITED
93-Harley Street, Rawalpindi, Pakistan. Tel: (051) 9272308-15

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