

Company Information

Board of Directors

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

Lt Gen Mahmud Ahmed, HI(M) (Retired)
Chief Executive and Managing Director

Dr Haldor Topsoe

Mr Qaiser Javed

Brig Arshad Shah, SI(M) (Retired)

Mr Zaigham Mahmood Rizvi

Mr Tariq Iqbal Khan

Dr Salim Batla

Brig Aftab Ahmed, SI(M) (Retired)

Brig Ghazanfar Ali, SI(M) (Retired)

Mr Hasan Aziz Bilgrami

Syed Zaheer Ali Shah

Mr Khawar Saeed

Secretary

Brig Muhammad Saleem Suleman, SI(M) (Retired)

Registered Office

93-Harley Street, Rawalpindi Cantt.

Plant Sites

Goth Machhi, Sadikabad
(Distt: Rahim Yar Khan)

Mirpur Mathelo
(Distt: Ghotki)

Marketing Division

Lahore Trade Centre,
11 Shahrah-e-Aiwan-e-Tijarat, Lahore

Karachi Office

B-35, KDA Scheme No.1,
Karachi

Auditors

Taseer Hadi Khalid & Co.,
Chartered Accountants

Directors' Review

for the Quarter Ended March 31, 2004

Dear Shareholders,

The Board takes pleasure in presenting the review on the operational results of the Company together with the un-audited financial statements and consolidated financial statements of FFC and Fauji Fertilizer Bin Qasim Limited (FFBL) for the quarter ended March 31, 2004.

The year 2004 started on a positive note with new achievements in sales and higher domestic fertilizer off-take for Rabi due to attractive commodity prices and improved water availability. Industry urea sales for the first quarter of 2004 of 852 thousand tonnes were 19% higher than sales achieved during the first quarter of 2003. Industry production was 970 thousand tonnes, 5% lower than the production for same quarter of 2003. The inventory of urea at end March 2004 was 283 thousand tonnes, lower by 38% compared to the inventory at end March 2003.

Combined urea production from all the three plants of the Company stood at 506 thousand tonnes as against 553 thousand tonnes produced last year. The decrease in aggregate production was mainly attributed to shutdown of our Base and Expansion Units for annual maintenance turnaround during the first quarter of 2004.

The Company marketed 503 thousand tonnes of own manufactured urea during the three months which was the highest ever first quarter sales in any year representing 99% of production and

registering a growth of 24% over 406 thousand tonnes sold during corresponding period of 2003. In addition, 66 thousand tonnes of granular urea were marketed on behalf of FFBL capturing a collective all time record urea market share of 65.5% as against 60% achieved in 2003.

We were also able to successfully market FFC urea, produced by the Acquisition Unit, as "Sona urea" by achieving the required quality level and are confident that benefits will continue to accrue to the Company by providing value added quality products to our customers.

The DAP market during January to March 2004 was 79 thousand tonnes, lower by 40% over the corresponding quarter of 2003. The industry sales were low due to unusually higher prices of DAP in the domestic market as well as limited availability especially because no organization was willing to take the risk of initiating imports at high international prices. 57 thousand tonnes of FFBL's DAP were marketed by FFC during the quarter attaining 71.5% market share which compared favourably with 59% for same period last year.

Urea sales revenue at Rs. 3.75 billion surpassed last year's revenue of Rs. 2.93 billion, an increase of 28%. All products sales revenue, however, declined by 5% over last year due to significantly lower imported DAP sales. The overall profitability of the Company continued its

upward trend despite Expansion Unit feed gas price parity with the Base Unit in March 2003 which could not be passed on to the customers.

Net profit for the period at Rs. 706 million increased by 16% over last year due to higher urea sales and lower financial charges as a result of restructuring of financing obtained for PSFL acquisition. Continuing the focus on enhancing shareholders' return, the Board is pleased to announce a first interim dividend of 32.5% (Rupees 3.25 per share) by appropriating Rs. 833.61 million from the distributable profits.'

Company's contribution to the national exchequer during the first quarter of 2004 by way of taxes, levies, excise duty, sales tax and surcharge on gas was Rs. 2.2 billion.

Consequent to FFBL becoming a subsidiary of FFC, the prospect of merger of both companies is under review and a decision is expected soon.

Adequate water availability and forecast of better monsoon augur well for the fertilizer market. Good commodity prices may induce increase in area under

cultivation. It is expected that due to these factors the urea market may increase by 2-3% in 2004 over 2003. The Fertilizer Policy 2001 is being reviewed by the Government with an aim of enhancing incentives to attract more investments in the fertilizer sector.

With our concerted efforts towards improving profitability, continued reliance and support of our quality product by our customers, better climatic conditions and increased market presence, we foresee another profitable year Inshallah for the Company and the stakeholders in an increasingly competitive market.

On behalf of the Board



CHAIRMAN

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

Rawalpindi
April 28, 2004

Balance Sheet

	Note	March 31, 2004	December 31, 2003
(Rupees '000)			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised		3,000,000	3,000,000
Issued, subscribed and fully paid		2,564,959	2,564,959
Capital reserve		160,000	160,000
Revenue reserves	4	8,670,701	8,797,753
		11,395,660	11,522,712
REDEEMABLE CAPITAL	5	3,589,090	3,730,650
LONG TERM LOANS	6	431,737	784,570
DEFERRED TAXATION		2,485,000	2,522,000
CURRENT LIABILITIES AND PROVISIONS			
Current maturity			
Redeemable capital		968,673	827,263
Long term loans		1,056,784	704,821
Short term finances	7	1,486,213	2,972,333
Creditors, accrued and other liabilities		1,788,266	2,606,854
Taxation		–	329,910
Dividend payable		–	833,612
Proposed dividend		833,612	384,743
		6,133,548	8,659,536
CONTINGENCIES AND COMMITMENTS	8		
		24,035,035	27,219,468

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

As At March 31, 2004 (Un-Audited)

	Note	March 31, 2004	December 31, 2003
(Rupees '000)			
FIXED CAPITAL EXPENDITURE			
Fixed assets	9	8,874,726	8,996,278
Capital work in progress		224,801	140,259
		<u>9,099,527</u>	<u>9,136,537</u>
GOODWILL		1,856,925	1,883,079
LONG TERM INVESTMENTS	10	6,153,189	7,083,151
LONG TERM LOANS AND ADVANCES		64,225	63,920
LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS		100,677	125,511
CURRENT ASSETS			
Stores and spares		1,707,638	1,686,980
Stock in trade		687,932	681,297
Trade debts		1,050,299	1,876,381
Loans, advances, deposits, prepayments and other receivables		747,753	647,619
Short term investments	11	1,950,714	2,200,845
Taxation		78,554	–
Cash and bank balances		537,602	1,834,148
		<u>6,760,492</u>	<u>8,927,270</u>
		<u>24,035,035</u>	<u>27,219,468</u>


Chairman


Chief Executive


Director

Profit and Loss Account

for the first quarter ended March 31, 2004 (Un-Audited)

	Note	March 31, 2004	March 31, 2003
(Rupees '000)			
Sales		3,795,370	3,996,244
Cost of goods sold	12	2,230,744	2,429,751
GROSS PROFIT		1,564,626	1,566,493
Selling and distribution expenses		381,695	444,028
PROFIT FROM OPERATIONS		1,182,931	1,122,465
Financial charges		72,839	201,120
		1,110,092	921,345
Other income		109,560	138,853
		1,219,652	1,060,198
Other charges		112,092	100,279
NET PROFIT BEFORE TAXATION		1,107,560	959,919
Provision for taxation		401,000	351,000
NET PROFIT AFTER TAXATION		706,560	608,919
Unappropriated profit brought forward		197,753	218,203
Profit available for appropriation		904,313	827,122
APPROPRIATIONS:			
Dividend:			
First interim Rs. 3.25 (2003: Rs 3) per share		833,612	769,488
UNAPPROPRIATED PROFIT CARRIED FORWARD		70,701	57,634
(Rupees)			
Earnings per share - basic		2.75	2.37

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


Chairman


Chief Executive


Director

Cash Flow Statement

for the first quarter ended March 31, 2004 (Un-Audited)

	Note	March 31, 2004	March 31, 2003
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	13	866,514	(315,538)
Payments for:			
Financial charges		(63,412)	(140,595)
Income tax		(846,464)	(814,086)
Net cash used in operating activities		(43,362)	(1,270,219)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(120,620)	(49,800)
Sale proceeds of fixed assets		6,798	459
Income received on loans, deposits and investments		84,232	132,984
(Increase) / decrease in investments		(25,653)	122,594
Net cash (used in)/available from investing activities		(55,243)	206,237
CASH FLOWS FROM FINANCING ACTIVITIES			
Redeemable capital - repayments		(150)	(150)
Long term loans - disbursements		-	205,910
- repayments		(870)	(208,987)
Decrease in short term finances		(1,486,120)	(952,601)
Dividends paid		(916,547)	(773,524)
Net cash used in financing activities		(2,403,687)	(1,729,352)
Net decrease in cash and cash equivalents		(2,502,292)	(2,793,334)
Cash and cash equivalents at beginning of the period		3,039,894	4,465,580
Cash and cash equivalents at close of the first quarter		537,602	1,672,246

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


Chairman


Chief Executive


Director

Statement of Changes In Equity

for the first quarter ended March 31, 2004 (Un-Audited)

	Share capital	Capital reserve	General reserve	Fair value adjustment	Unappropriated profit	Total
	(Rupees '000)					
Balance at December 31, 2002	2,564,959	160,000	8,000,000	(180,105)	218,203	10,763,057
Net profit for the quarter ended March 31, 2003	-	-	-	-	608,919	608,919
Reversal of fair value adjustment due to restatement of investment in subsidiary at cost	-	-	-	180,105	-	180,105
Dividends	-	-	-	-	(769,488)	(769,488)
Balance at March 31, 2003	2,564,959	160,000	8,000,000	-	57,634	10,782,593
Net profit for the period from April 1, 2003 to December 31, 2003	-	-	-	-	2,535,590	2,535,590
Transfer to general reserve	-	-	600,000	-	(600,000)	-
Dividends	-	-	-	-	(1,795,471)	(1,795,471)
Balance at December 31, 2003	2,564,959	160,000	8,600,000	-	197,753	11,522,712
Net profit for the quarter ended March 31, 2004	-	-	-	-	706,560	706,560
Dividends	-	-	-	-	(833,612)	(833,612)
Balance at March 31, 2004	2,564,959	160,000	8,600,000	-	70,701	11,395,660

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


Chairman


Chief Executive


Director

Notes to the Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

1. These financial statements are un-audited and are being submitted to shareholders, as per the directives of the Securities and Exchange Commission of Pakistan (SECP) issued vide Notification No. SRO 764(1)/2001 dated November 05, 2001.
2. Accounting policies adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended December 31, 2003.
3. These financial statements have been prepared in accordance with the requirements of International Accounting Standard IAS 34 'Interim Financial Reporting'.

	March 31, 2004	December 31, 2003
	(Rupees '000)	
4. REVENUE RESERVES		
General reserve	8,600,000	8,600,000
Unappropriated profit	70,701	197,753
	<u>8,670,701</u>	<u>8,797,753</u>
5. REDEEMABLE CAPITAL - SECURED (non participatory)		
Long term finances under mark-up arrangements	3,608,333	3,608,333
Term Finance Certificates	949,430	949,580
	<u>4,557,763</u>	<u>4,557,913</u>
Less: Current portion shown under current liabilities	968,673	827,263
	<u>3,589,090</u>	<u>3,730,650</u>
6. LONG TERM LOANS - SECURED		
Government of Pakistan loan - Base unit	2,611	3,481
Local currency loan - PSFL acquisition	1,485,910	1,485,910
	<u>1,488,521</u>	<u>1,489,391</u>
Less: Amount payable within twelve months shown as current maturity	1,056,784	704,821
	<u>431,737</u>	<u>784,570</u>
7. SHORT TERM FINANCES - SECURED		
Short term loan	-	600,000
Short term import credit	1,486,213	2,372,333
	<u>1,486,213</u>	<u>2,972,333</u>

Notes to the Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

	March 31, 2004	December 31, 2003
	(Rupees '000)	
8. CONTINGENCIES AND COMMITMENTS		
(a) Contingencies		
i) Guarantees issued by banks on behalf of the Company	18,059	15,659
ii) Demand in respect of import of duty-free first charge catalysts for the expansion unit, which matter has been decided in favour of the Company by the High Court of Sindh. This issue is currently pending in the Supreme Court on appeal filed by the Customs authorities	179,000	179,000
iii) Disputed demand 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.	295,590	295,590
iv) Income tax demands, not acknowledged as debt, have been challenged by the Company and are currently in appeal; the Company expects favourable outcome of appeal.	310,000	310,000
v) Claims against the Company and / or potential exposure not acknowledged as debt.	48,345	48,345
vi) Income tax demand related to incorrect adjustment of advance payments currently in appeal. The Company expects favourable outcome of appeal.	826,000	-
(b) Commitments in respect of:		
i) Capital expenditure	373,902	507,886
ii) Purchase of fertilizer, stores, spares and other revenue items	199,911	182,266
iii) Rentals under lease agreements:		
Premises	97,985	132,810
Vehicles	236,245	195,909

Notes to the Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

	March 31, 2004	December 31, 2003
	(Rupees '000)	
9. FIXED ASSETS		
Opening written down value	8,996,278	9,378,161
Additions	36,078	383,994
Written down value of disposals/adjustments	(1,728)	(4,222)
Depreciation	(155,902)	(761,655)
Closing written down value	<u>8,874,726</u>	<u>8,996,278</u>
10. LONG TERM INVESTMENTS		
Investment in subsidiary - at cost Fauji Fertilizer Bin Qasim Limited (FFBL)	4,752,330	4,752,330
Investments available for sale		
Term deposits	271,274	250,218
Government of Pakistan Special US Dollar Bonds	1,138,202	1,138,202
National Savings Certificates	1,000,000	1,000,000
	<u>2,409,476</u>	<u>2,388,420</u>
Investments held to maturity		
Pakistan Investment Bonds	700,000	700,000
Term Finance Certificates	148,380	148,380
	<u>848,380</u>	<u>848,380</u>
	<u>8,010,186</u>	<u>7,989,130</u>
Less: Maturing within twelve months shown under current assets - note 11		
Term deposits	81,346	76,746
Government of Pakistan Special US Dollar Bonds	647,626	201,208
National Savings Certificates	1,000,000	500,000
Term Finance Certificates	128,025	128,025
	<u>1,856,997</u>	<u>905,979</u>
	<u>6,153,189</u>	<u>7,083,151</u>
11. SHORT TERM INVESTMENTS		
Term deposits with banks and financial institutions Local currency (net of provision for doubtful recovery Rs 13,000 thousand; 2002: Rs 13,000 thousand)	-	1,200,000
Foreign currency	93,717	94,866
Current maturity of long term investments	1,856,997	905,979
	<u>1,950,714</u>	<u>2,200,845</u>

Notes to the Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

	March 31, 2004	March 31, 2003
	(Rupees '000)	
12. COST OF GOODS SOLD		
Raw materials consumed	902,062	730,609
Fuel and power	552,118	564,152
Chemicals and supplies	29,847	21,654
Salaries, wages and benefits	263,518	229,434
Rent, rates and taxes	2,602	2,165
Insurance	24,867	19,613
Travel and conveyance	14,322	16,389
Repairs and maintenance	167,929	95,962
Amortisation of deferred costs	24,804	17,197
Depreciation	152,656	181,931
Communication, establishment and other expenses	69,744	68,188
Opening stock-work in process	21,410	12,313
Closing stock-work in process	(29,985)	(19,198)
Cost of goods manufactured	2,195,894	1,940,409
Opening stock - manufactured urea	542,435	365,250
- purchased fertilizers	102,702	223,821
Purchase of fertilizers for resale	-	896,108
	2,841,031	3,425,588
Closing stock - manufactured urea	(545,867)	(808,664)
- purchased fertilizers	(64,420)	(187,173)
	<u>2,230,744</u>	<u>2,429,751</u>
13. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,107,560	959,919
Adjustments for non cash charges and other items		
Depreciation (net of Rs 633 thousand charged to FFBL; 2003: Rs 427 thousand)	155,269	185,223
Amortization of goodwill	26,154	26,154
Amortization of deferred costs	24,804	17,197
Financial charges	72,839	201,120
(Gain)/loss on sale of fixed assets	(5,070)	4
Income on loans, deposits and investments	(97,549)	(130,169)
Exchange gain	(8,999)	-
	167,448	299,529
	1,275,008	1,259,448
Changes in working capital		
(Increase)/decrease in current assets:		
Stores and spares	(20,658)	(99,636)
Stock in trade	(6,635)	(402,930)
Trade debts	826,082	562,039
Loans, advances, deposits, prepayments and other receivables	(86,817)	(311,595)
Decrease in current liabilities:		
Creditors, accrued and other liabilities (excluding accrual of financial charges)	(1,120,191)	(1,324,350)
	(408,219)	(1,576,472)
Changes in long term loans and advances	(305)	1,186
Changes in long term deposits, prepayments and deferred costs	30	300
	<u>866,514</u>	<u>(315,538)</u>

Notes to the Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

14. FACILITIES OF LETTERS OF GUARANTEE AND LETTERS OF CREDIT

Facilities of letters of guarantee and letters of credit amounting to Rs 23,750 thousand and Rs 2,275,000 thousand (2003: Rs 23,750 thousand and Rs 2,275,000 thousand) respectively are available to the Company under a lien against investment and first charge by way of equitable mortgage on all fixed assets of the Company.

	March 31, 2004	March 31, 2003
	(Rupees '000)	
15. TRANSACTIONS WITH RELATED PARTIES		
Fauji Foundation		
Office rent	600	600
Sale of fertilizer	1,551	2,187
Medical services	4	–
Fauji Fertilizer Bin Qasim Limited (FFBL)		
Marketing of fertilizer on behalf of FFBL under sale on consignment basis	24,741	9,882
Commission on sale of FFBL products	2,456	845
Services and materials provided	1,948	1,216
Services and materials received	377	14
Mari Gas Company Limited		
Purchase of gas as feed and fuel stock	1,337,469	1,190,819
Haldor Topsoe A/s, Denmark		
Technical services received	3,480	–

16. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.

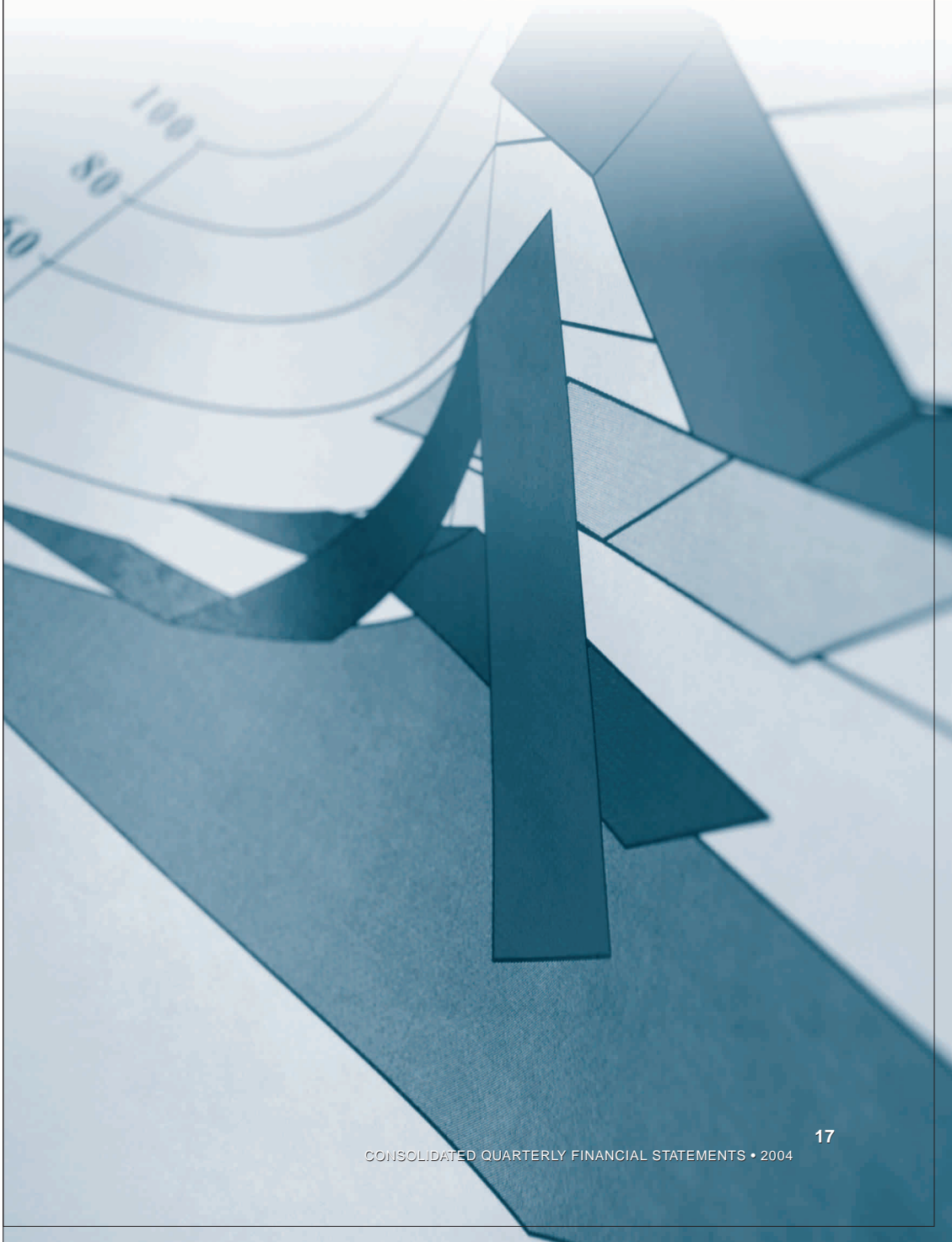
17. These financial statements have been authorised for issue by the Board of Directors of the Company on April 28, 2004.


Chairman


Chief Executive


Director

Consolidated Financial Statements



Consolidated Balance Sheet

	Note	March 31, 2004	December 31, 2003
(Rupees '000)			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised		3,000,000	3,000,000
Issued, subscribed and fully paid		2,564,959	2,564,959
Capital reserve		279,267	279,267
Revenue reserves	4	6,994,679	7,063,827
		9,838,905	9,908,053
MINORITY INTEREST		2,922,862	2,869,903
REDEEMABLE CAPITAL	5	6,436,731	6,806,102
LONG TERM LOANS AND DEFERRED GOVERNMENT ASSISTANCE	6	8,858,347	9,211,180
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	18,699	19,875
DEFERRED TAX LIABILITY		2,485,000	2,522,000
CURRENT LIABILITIES AND PROVISIONS			
Current maturity			
Redeemable capital		1,310,390	941,169
Long term loans and deferred Government assistance		1,704,985	1,353,022
Liabilities against assets subject to finance lease	7	5,670	7,506
Short term finances	8	1,713,660	3,109,466
Creditors, accrued and other liabilities		2,714,099	3,348,158
Taxation		-	329,910
Dividend payable		-	833,612
Proposed dividend		833,612	384,743
		8,282,416	10,307,586
CONTINGENCIES AND COMMITMENTS	9	38,842,960	41,644,699

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

As At March 31, 2004 (Un-Audited)

	Note	March 31, 2004	December 31, 2003
(Rupees '000)			
FIXED CAPITAL EXPENDITURE			
Fixed assets	10	23,929,987	24,167,407
Capital work in progress		251,267	146,348
		<u>24,181,254</u>	<u>24,313,755</u>
INTANGIBLE ASSETS		1,874,689	1,906,765
LONG TERM INVESTMENTS	11	1,400,859	2,330,821
LONG TERM LOANS AND ADVANCES		64,225	63,920
LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS		137,708	152,359
DEFERRED TAX ASSET		1,126,565	1,160,688
CURRENT ASSETS			
Stores and spares		2,153,904	2,142,895
Stock in trade		1,422,232	890,808
Trade debts		1,281,610	2,268,758
Loans, advances, deposits, prepayments and other receivables		899,755	760,205
Short term investments	12	1,950,714	2,200,845
Taxation		78,554	—
Cash and bank balances		2,270,891	3,452,880
		<u>10,057,660</u>	<u>11,716,391</u>
		<u>38,842,960</u>	<u>41,644,699</u>


Chairman


Chief Executive


Director

Consolidated Profit and Loss Account

for the first quarter ended March 31, 2004 (Un-Audited)

Note	March 31, 2004	March 31, 2003
(Rupees '000)		
Sales	5,244,956	4,303,344
Cost of goods sold	3,345,966	2,703,152
GROSS PROFIT	1,898,990	1,600,192
Selling, distribution and administrative expenses	553,842	523,629
PROFIT FROM OPERATIONS	1,345,148	1,076,563
Financial charges	90,109	257,988
	1,255,039	818,575
Other income	125,026	140,920
	1,380,065	959,495
Other charges	120,284	100,414
NET PROFIT BEFORE TAXATION	1,259,781	859,081
Provision for taxation	442,358	447,999
NET PROFIT AFTER TAXATION	817,423	411,082
Minority Interest in profit/(loss) of consolidated subsidiary	52,959	(94,507)
NET PROFIT AFTER TAXATION AND MINORITY INTEREST	764,464	505,589
Unappropriated profit brought forward	824,964	218,203
Profit available for appropriation	1,589,428	723,792
APPROPRIATIONS:		
Dividend:		
First interim Rs. 3.25 (2003: Rs 3) per share	833,612	769,488
UNAPPROPRIATED PROFIT/(LOSS) CARRIED FORWARD	755,816	(45,696)
	(Rupees)	
Earnings per share - basic	2.98	1.97

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


Chairman


Chief Executive


Director

Consolidated Cash Flow Statement

for the first quarter ended March 31, 2004 (Un-Audited)

	Note	March 31, 2004	March 31, 2003
(Rupees '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	14	1,045,398	(9,391)
Payments for:			
Financial charges		(82,975)	(207,259)
Income tax		(857,838)	(820,681)
		(940,813)	(1,027,940)
Net cash provided by/(used in) operating activities		104,585	(1,037,331)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(254,808)	(238,144)
Sale proceeds of fixed assets		7,461	690
Income received on loans, deposits and investments		97,065	139,723
(Increase) / decrease in investments		(25,653)	122,594
Net cash (used in)/available from investing activities		(175,935)	24,863
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		–	225,000
Redeemable capital - repayments		(150)	(150)
Long term loans - disbursements		–	205,910
- repayments		(870)	(208,987)
Finance lease paid		(3,012)	(1,630)
Decrease in short term finances		(1,395,806)	(1,320,884)
Dividends paid		(916,547)	(773,524)
Net cash used in financing activities		(2,316,385)	(1,874,265)
Net decrease in cash and cash equivalents		(2,387,735)	(2,886,733)
Cash and cash equivalents at beginning of the period		4,658,626	4,664,872
Cash and cash equivalents at close of the first quarter		2,270,891	1,778,139

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


Chairman


Chief Executive


Director

Consolidated Statement of Changes In Equity

for the first quarter ended March 31, 2004 (Un-Audited)

	Share capital	Capital reserve	General reserve	Fair value adjustment	Unappropriated loss of subsidiary brought forward	Unappropriated profit	Total
	(R u p e e s ' 0 0 0)						
Balance at December 31, 2002	2,564,959	160,000	8,000,000	(180,105)	-	218,203	10,763,057
Share of subsidiary as at January 1, 2003	-	119,267	-	-	(2,361,137)	-	(2,241,870)
Net Profit for the quarter ended March 31, 2003	-	-	-	-	-	505,589	505,589
Elimination of adjustments arising from remeasurement to fair value of investment in associated company on Consolidation	-	-	-	180,105	-	-	180,105
Dividends	-	-	-	-	-	(769,488)	(769,488)
Balance at March 31, 2003	2,564,959	279,267	8,000,000	-	(2,361,137)	(45,696)	8,437,393
Net profit for the period from April 1, 2003 to December 31, 2003	-	-	-	-	-	3,266,131	3,266,131
Transfer to general reserve	-	-	600,000	-	-	(600,000)	-
Dividends	-	-	-	-	-	(1,795,471)	(1,795,471)
Balance at December 31, 2003	2,564,959	279,267	8,600,000	-	(2,361,137)	824,964	9,908,053
Net profit for the quarter ended March 31, 2004	-	-	-	-	-	764,464	764,464
Dividends	-	-	-	-	-	(833,612)	(833,612)
Balance at March 31, 2004	2,564,959	279,267	8,600,000	-	(2,361,137)	755,816	9,838,905

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


Chairman


Chief Executive


Director

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

1. These consolidated financial statements are un-audited and include Fauji Fertilizer Company Limited (FFC) and its 52.23 % owned subsidiary Fauji Fertilizer Bin Qasim Limited (FFBL) (formerly FFC - Jordan Fertilizer Company Limited) and are being submitted to shareholders, as per the directives of the Securities and Exchange Commission of Pakistan (SECP) issued vide notification No. SRO 764(1)/2001 dated November 05, 2001.
2. Accounting policies adopted for preparation of these consolidated financial statements are the same as those applied in preparation of the annual consolidated financial statements for the year ended December 31, 2003.
3. These consolidated financial statements have been prepared in accordance with the requirements of International Accounting Standard IAS 34 ' Interim Financial Reporting'.

	March 31, 2004	December 31, 2003
	(Rupees '000)	
4. REVENUE RESERVES		
General reserve	8,600,000	8,600,000
Share of unappropriated loss of subsidiary brought forward	(2,361,137)	(2,361,137)
Unappropriated profit	755,816	824,964
	<u>6,994,679</u>	<u>7,063,827</u>
5. REDEEMABLE CAPITAL -Secured (non participatory)		
Long term finances under mark-up arrangements	6,526,943	6,526,943
Term Finance Certificates	949,430	949,580
Morabaha arrangement	270,748	270,748
	<u>7,747,121</u>	<u>7,747,271</u>
Less: Current portion shown under current liabilities	1,310,390	941,169
	<u>6,436,731</u>	<u>6,806,102</u>
6. LONG TERM LOANS AND DEFERRED GOVERNMENT ASSISTANCE - Secured loans		
Government of Pakistan loan (FFC Base unit)	2,611	3,481
Local currency loan -PSFL acquisition	1,485,910	1,485,910
- Unsecured loans		
Government of Pakistan loan (FFBL)	5,668,820	5,668,820
Deferred Government Assistance (FFBL)	3,405,991	3,405,991
	<u>10,563,332</u>	<u>10,564,202</u>
Less : Amount payable within twelve months shown as current maturity	1,704,985	1,353,022
	<u>8,858,347</u>	<u>9,211,180</u>
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Not later than one year	5,670	7,506
Later than one year but not later than five years	18,699	19,875
	<u>24,369</u>	<u>27,381</u>

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

	March 31, 2004	December 31, 2003
	(Rupees '000)	
8. SHORT TERM FINANCES - Secured		
Short term loan	–	600,000
Short term running finance	227,447	137,133
Short term import credit	1,486,213	2,372,333
	<u>1,713,660</u>	<u>3,109,466</u>
9. CONTINGENCIES AND COMMITMENTS		
a) Contingencies		
i) Guarantees issued by banks on behalf of the Company.	46,498	35,966
ii) Demand in respect of import of duty-free first charge catalysts for the expansion unit, which matter has been decided in favour of FFC by the High Court of Sindh. This issue is currently pending in the Supreme Court on appeal filed by the Customs authorities.	179,000	179,000
iii) Disputed demand 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. The Company is confident that there are reasonable grounds for a favourable decision.	295,590	295,590
iv) Income tax demands, not acknowledged as debt, have been challenged by FFC and are currently in appeal ; FFC expects favourable outcome of appeal.	310,000	310,000
v) Claims against the Company and/or potential exposure not acknowledged as debt.	48,345	61,708
vi) Income tax demand related to incorrect adjustment of advance payments currently in appeal. FFC expects favourable outcome of appeal.	826,000	–
vii) Indemnity bonds and undertakings given to the customs authorities for the machinery imported by FFBL for installation at plant site	3,455,024	3,455,024
viii) Income tax demands raised on income on local currency bank deposits/unrealised exchange gain, which demands have been challenged and are currently in appeal; FFBL expects favourable outcome in appeal	38,310	38,310
b) Commitments in respect of:		
i) Capital expenditure.	375,852	642,970
ii) Purchase of fertilizer, stores, spares and other revenue items.	598,149	710,668
iii) Rentals under lease agreements:		
Premises	97,985	132,810
Vehicles	236,245	195,901

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

	March 31, 2004	December 31, 2003
	(Rupees '000)	
10. FIXED ASSETS		
Opening written down value	24,167,407	25,198,697
Additions	150,972	653,441
Written down value of disposals/adjustments	(2,376)	(4,587)
Depreciation	(386,016)	(1,680,144)
Closing written down value	<u>23,929,987</u>	<u>24,167,407</u>
11. LONG TERM INVESTMENTS		
Investments available for sale		
Term deposits	271,274	250,218
Government of Pakistan Special US Dollar Bonds	1,138,202	1,138,202
National Savings Certificates	1,000,000	1,000,000
Arabian Sea Country Club Limited (ASCCL) - note 11.1 (300,000 shares of Rs.10 each)	3,000	3,000
Impairment in value of investment	(3,000)	(3,000)
	—	—
	<u>2,409,476</u>	<u>2,388,420</u>
Investments held to maturity		
Pakistan Investment Bonds	700,000	700,000
Term Finance Certificates	148,380	148,380
	<u>848,380</u>	<u>848,380</u>
	<u>3,257,856</u>	<u>3,236,800</u>
Less:		
Maturing within twelve months shown under current assets - note 12		
Term deposits	81,346	76,746
Government of Pakistan Special US Dollar Bonds	647,626	201,208
National Savings Certificates	1,000,000	500,000
Term Finance Certificates	128,025	128,025
	<u>1,856,997</u>	<u>905,979</u>
	<u>1,400,859</u>	<u>2,330,821</u>

11.1 The break-up value of ASCCL's share, based on the audited accounts for the year ended June 30, 2003 was Rs. 5.94. The Chief Executive of ASCCL is Mr. Javed Burki.

	March 31, 2004	December 31, 2003
	(Rupees '000)	
12. SHORT TERM INVESTMENTS		
Term deposits with banks and financial institutions		
Local currency (net of provision for doubtful recovery Rs 13,000 thousand; 2003: Rs 13,000 thousand)	—	1,200,000
Foreign currency	93,717	94,866
Current maturity of long term investments	1,856,997	905,979
	<u>1,950,714</u>	<u>2,200,845</u>

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

	March 31, 2004	March 31, 2003
	(Rupees '000)	
13. COST OF GOODS SOLD		
Raw materials consumed	1,906,259	860,018
Fuel and power	744,381	720,678
Chemicals and supplies	47,067	32,478
Salaries, wages and benefits	330,261	270,576
Rent, rates and taxes	7,471	6,797
Insurance	35,697	27,994
Travel and conveyance	19,826	22,970
Repairs and maintenance	243,389	185,733
Amortisation of deferred costs	31,479	23,118
Depreciation	381,135	409,183
Communication, establishment and other expenses	75,819	71,766
Opening stock-work in process	27,875	22,723
Closing stock-work in process	(39,453)	(28,312)
Cost of goods manufactured	3,811,206	2,625,722
Opening stock - manufactured urea	610,869	480,463
- purchased fertilizers	102,702	223,821
Purchase of fertilizers for resale	-	896,108
Cost of goods manufactured	4,524,777	4,226,114
Closing stock - manufactured urea	(1,114,391)	(1,335,789)
- purchased fertilizers	(64,420)	(187,173)
	<u>3,345,966</u>	<u>2,703,152</u>
14. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,259,781	859,081
Adjustment for non cash charges and other items		
Depreciation	385,383	414,081
Amortisation of goodwill	26,154	26,154
Amortization of deferred costs	32,789	24,556
Financial charges	90,109	257,988
Gain on sale of fixed assets	(6,167)	(82)
Income on loans, deposits and investments	(113,240)	(132,335)
Provision for gratuity	2,821	-
Exchange gain	(8,999)	-
	408,850	590,362
	<u>1,668,631</u>	<u>1,449,443</u>
Changes in working capital		
(Increase)/decrease in current assets:		
Stores and spares	(11,009)	(58,510)
Stock in trade	(531,424)	(815,425)
Trade debts	987,148	1,051,143
Loans, advances, deposits, prepayments and other receivables	(217,132)	(166,979)
Decrease in current liabilities:		
Creditors, accrued and other liabilities (excluding accrual of financial charges)	(838,295)	(1,468,799)
	(610,712)	(1,458,570)
Changes in long term loans and advances	(305)	1,186
Changes in long term deposits, prepayments and deferred costs	(12,216)	(1,450)
	<u>1,045,398</u>	<u>(9,391)</u>

Notes to the Consolidated Financial Statements

for the first quarter ended March 31, 2004 (Un-Audited)

15. FACILITIES OF LETTERS OF GUARANTEE AND LETTERS OF CREDIT

Facilities of letters of guarantee and letters of credit amounting to Rs 23,750 thousand and Rs 2,275,000 thousand (2003: Rs 23,750 thousand and Rs 2,275,000 thousand) respectively are available to the Company under a lien against investment and first charge by way of equitable mortgage on all fixed assets of the Company.

	March 31, 2004	March 31, 2003
	(Rupees '000)	
16. TRANSACTIONS WITH RELATED PARTIES		
Fauji Foundation		
Office rent	600	600
Sale of fertilizer	3,416	4,262
Medical services	4	-
Mari Gas Company Limited		
Purchase of gas as feed and fuel stock	1,337,469	1,190,819
Haldor Topsoe A/s, Denmark		
Technical services received	3,480	-
CDC Holding Sendirian Berhad and Pak Kuwait Investment Company (Pvt) Limited		
Financial Charges on loan	1,587	11,094
Jordan Phosphate Mine Company		
Financial Charges on loan	-	34,670

17. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.

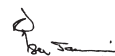
18. These consolidated financial statements have been authorised for issue by the Board of Directors of FFC on April 28, 2004.



Chairman



Chief Executive



Director

