

Company Information

BOARD OF DIRECTORS

Lt Gen Syed Arif Hasan, 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

Mr Khawar Saeed

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 Kamal Afsar

Mr Tariq Bajwa

CHIEF FINANCIAL OFFICER

Mr Abid Magbool

Tel: 92-51-9272336, Fax: 92-51-9272337

E-mail: gmf_cfo@ffc.com.pk

COMPANY SECRETARY

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

Tel: 92-51-9272327, Fax: 92-51-9272519

E-mail: secretary@ffc.com.pk

REGISTERED OFFICE

93-Harley Street, Rawalpindi Cantt.

Tel: 92-51-9272307-14, Fax: 92-51-9272316

Website: www.ffc.com.pk 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: 92-42-6365736, 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

Directors' Review

For the Quarter Ended March 31, 2007

Dear Members,

As Chairman of the Board of Directors, I am pleased to welcome you to the review of your Company's un-audited financial results and operating performance during the first quarter of 2007, together with consolidated un-audited financial results of the Company and its subsidiary Fauji Fertilizer Bin Qasim Limited (FFBL).

The Urea Industry witnessed an oversupplied situation during the quarter with an opening inventory of 233 thousand tonnes, more than triple the opening inventory of 2006. This was supplemented by 2% higher indigenous urea production of 1,209 thousand tonnes, while 55 thousand tonnes were imported by the Trading Corporation of Pakistan despite market saturation. Industry urea offtake was recorded at 862 thousand tonnes which declined by 36% compared to 1,339 thousand tonnes sold during the corresponding quarter of last year, owing to continuous rains during January and February 2007 and low urea consumption. The decline appears significant due to unusually favourable climatic and marketing environment in first quarter of 2006. The quarter closed with inventory of 631 thousand tonnes, six times higher as compared to the inventory at the close of same period of last year.

The DAP market on the other hand exhibited a healthy start with continuation of a high demand situation carried over from end of 2006, in anticipation of price hike owing to rising international prices. DAP market recorded an offtake of 153 thousand tonnes as compared to 142 thousand tonnes during the corresponding period of last year, registering an improvement of 8%. The Government of Pakistan is considering increase in the subsidy on DAP for the benefit of the farmers due to surge in international prices and to boost demand.

DAP output was recorded at 121 thousand tonnes by FFC's subsidiary FFBL which improved by 16% over the production for corresponding quarter of last year. The Company marketed 123 thousand tonnes of 'Sona' DAP on behalf of FFBL. 'Sona' urea granular offtake was recorded at 105 thousand tonnes and the Company captured a collective urea market share of 60% while aggregate contribution by the Company to the DAP market was registered at a record 81%. Rs. 646 million (now reduced to Rs. 337 million) were outstanding towards the Company from the Government of Pakistan on account of DAP subsidy, the benefit of which has already been passed on by the Company to the farmers.

Performance of our three plants remained par excellence with aggregate urea output of 605 thousand tonnes as compared to 566 thousand tonnes during the same period of last year with an

improvement of 7%. Plants I & II, Goth Machhi delivered an aggregate urea output of 414 thousand tonnes during the quarter at an operating efficiency of 125% of designed capacity, which improved by 10% over production during the corresponding period of last year. Plant III, Mirpur Mathelo attained urea production of 191 thousand tonnes during the quarter at an operating efficiency of 133% compared to 189 thousand tonnes produced last year.

The Company earned sales revenue of Rs. 4.15 billion through marketing of 401 thousand tonnes of 'Sona' urea and 20 thousand tonnes of imported fertilizers, registering a decline of 36% compared to revenue for the corresponding quarter of last year. The gross profit declined to Rs. 1.8 billion, registering a reduction of 23% compared to last year's figure mainly due to lower 'Sona' urea offtake by 29%. Imported urea offtake by the Company was registered at 7 thousand tonnes during the quarter.

Final dividend income of Rs. 594 million for 2006 from its subsidiary FFBL enabled the Company to earn net profit after tax of Rs. 1.3 billion, 5% higher than last year's figure. Consequently, the earnings per share increased by Re. 0.12 to Rs. 2.62 in 2007. The Board is pleased to announce first interim dividend of Rs. 2.50 per share (25%) to the shareholders for 2007.

The Company continues its endeavours and we are optimistic that, with Government support to agriculture and fertilizer sector, the Company would be able to achieve its objectives of sustaining profitability in 2007.

On behalf of the Board,

CHAIRMAN

Lt Gen Syed Arif Hasan, HI(M), (Retired)

Copenhagen, Denmark April 26, 2007

IFFCFinancial Statements

Balance Sheet

As at March 31, 2007 (Un-Audited)

	Note	March 31, 2007 (Rupee	2006
SHARE CAPITAL AND RESERVES			
Share capital	4	4,934,742	4,934,742
Capital reserve		160,000	160,000
Revenue reserves	5	7,231,667	7,861,801
		12,326,409	12,956,543
NON CURRENT LIABILITIES	6	2,032,500	1,193,750
DEFERRED TAXATION		2,373,000	2,396,000
CURRENT LIABILITIES Trade and other payables Interest and mark - up accrued Short term borrowings Current portion of long term finance Taxation	sing	2,090,191 131,604 4,641,011 840,330 1,266,538	4,025,926 134,039 4,531,090 887,327 1,305,606
CONTINGENCIES AND COMMITMENTS	S 7	8,969,674 25,701,583	10,883,988

The annexed notes 1 to 16 form an integral part of these financial statements.

	Note	March 31, 2007 (Rupee	December 31, 2006 es '000)
PROPERTY, PLANT AND EQUIPMEN	NT 8	9,566,092	9,607,957
GOODWILL		1,569,234	1,569,234
LONG TERM INVESTMENTS	9	6,403,606	6,409,382
LONG TERM LOANS AND ADVANCE	≣S	105,207	76,647
LONG TERM DEPOSITS AND PREPAYMENTS CURRENT ASSETS		1,692	2,474
Stores, spares and loose tools		2,315,343	2,202,053
Stock in trade		1,783,111	952,905
Trade debts		751,953	961,427
Loans and advances		119,838	95,245
Deposits and prepayments		154,484	25,488
Other receivables	10	1,202,124	1,451,390
Short term investments	11	1,176,840	2,452,850
Cash and bank balances		552,059	1,623,229
		8,055,752	9,764,587
		25,701,583	27,430,281

Chairman

Profit and Loss Account

For the first quarter ended March 31, 2007 (Un-Audited)

	Note	March 31, 2007	March 31, 2006
		(Rupees	'000)
Sales		4,153,137	6,530,663
Cost of sales	12	2,357,582	4,190,963
GROSS PROFIT		1,795,555	2,339,700
Distribution cost		483,462	660,898
		1,312,093	1,678,802
Finance cost		104,223	94,601
Other expenses		148,886	177,398
		1,058,984	1,406,803
Other income		670,431	412,565
NET PROFIT BEFORE TAXATION		1,729,415	1,819,368
Provision for taxation		435,000	584,000
NET PROFIT AFTER TAXATION		1,294,415	1,235,368
Earnings per share - basic and diluted (Rupees)	13	2.62	2.50

The annexed notes 1 to 16 form an integral part of these financial statements.

Chairman

Chief Executive



Cash Flow Statement

For the first quarter ended March 31, 2007 (Un-Audited)

	Note	March 31, 2007	March 31, 2006
	Note	(Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		(ivupee	5 000)
Cash used in operations	14	(640,798)	(1,059,135)
Finance cost paid	14	(103,534)	(79,907)
Income tax paid		(497,068)	(477,926)
•			
Net cash used in operating activities		(1,241,400)	(1,616,968)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(157,630)	(219,620)
Proceeds from sale of property, plant and equipme	ent	3,367	1,595
Interest received		80,867	175,601
(Increase)/decrease in investments		(82,871)	114,838
Dividend received from FFBL		594,041	237,616
Net cash generated from investing activities		437,774	310,030
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursement		900,000	-
- repayments		(108,247)	(108,246)
Increase in short term borrowings		109,921	435,723
Dividends paid		(2,538,177)	(1,600,033)
Net cash used in financing activities		(1,636,503)	(1,272,556)
Net decrease in cash and cash equivalents		(2,440,129)	(2,579,494)
Cash and cash equivalents at beginning of the period		3,884,668	7,176,453
Cash and cash equivalents at close of the first quarter		1,444,539	4,596,959
CASH AND CASH EQUIVALENTS			
Cash and bank balances		552,059	1,009,329
Short term highly liquid investments		892,480	3,587,630
		1,444,539	4,596,959

The annexed notes 1 to 16 form an integral part of these financial statements.

Chairman

Statement of Changes in Equity
For the first quarter ended March 31, 2007 (Un-Audited)

	Share capital	Capital reserve	General reserve	Unappropriated profit	Total	Rupees'(
					(Kupees (
Balance at January 1, 2006	4 00 4 7 40	400.000	7 000 000	50.400	40 440 000	
as previously reported	4,934,742	160,000	7,290,000	56,166	12,440,908	
Transfer to general reserve due to						
change in accounting policy	-	-	100,000	(100,000)	-	
Restated balance at January 1, 2006	4,934,742	160,000	7,390,000	(43,834)	12,440,908	
Dividends						
Final 2005: Rs 2.25 per share				(1,110,317)	(1,110,317)	
1 IIIai 2003. NS 2.20 pei Silaie	_	_	_	(1,110,317)	(1,110,317)	
Net profit for the quarter						
ended March 31, 2006	-	-	-	1,235,368	1,235,368	
Balance at March 31, 2006	4,934,742	160,000	7,390,000	81,217	12,565,959	
Balance at January 1, 2007	4,934,742	160,000	6,190,000	1,671,801	12,956,543	
balance at January 1, 2007	4,934,742	160,000	6,190,000	1,071,001	12,950,545	
Transfer from general reserve	_	_	(250,000)	250,000	_	
·			, ,			
Dividends						
Final 2006: Rs 3.90 per share	-	-	-	(1,924,549)	(1,924,549)	
Not profit for the quarter anded						
Net profit for the quarter ended March 31, 2007				1,294,415	1,294,415	
IVIAIGI 31, 2007	-	-	_	1,234,410	1,234,413	
Balance at March 31, 2007	4,934,742	160,000	5,940,000	1,291,667	12,326,409	

The annexed notes 1 to 16 form an integral part of these financial statements.

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For the first quarter ended March 31, 2007 (Un-Audited)

- 1. Fauji Fertilizer Company Limited ("the Company") is a public limited 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 and chemical manufacturing operations.
- These financial statements are unaudited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34: Interim Financial Reporting.
- 3. Accounting policies, related judgments, estimates and assumptions 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, 2006 except for the following changes in accounting policy and estimate:

3.1 Change in accounting policy

Pursuant to the adoption of IFRS 3 -" Business Combinations " by the Securities & Exchange Commission of Pakistan vide S.R.O No. 1228 (I) / 2006 dated December 6, 2006, the Company has ceased the amortization of goodwill arising on acquisition of Pak Saudi Fertilizer Limited. The treatment has been made prospectively during the period in accordance with the requirements of IFRS 3. The goodwill is now being stated at the carrying value as at December 31, 2006 and is being tested for impairment only. This change has resulted in increased net profit before tax for the period by Rs 26,154 thousand.

3.2 Change in accounting estimate

Full month's depreciation is charged on normal additions to property, plant and equipment while no depreciation is charged on such items in the month of deletion, which has affected a lower depreciation charge of Rs 653 thousand for the quarter ended March 31, 2007.

March 31,	December 31
2007	2006
(Rupee	s '000)

4. SHARE CAPITAL

ISSUED, SUBSCRIBED AND FULLY PAID UP CAPITAL

(Numbers)

256,495,902	Ordinary shares of Rs 10 each fully paid 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 CAPITAL

This represents 500,000,000 (2006: 500,000,000) ordinary shares of Rs 10 each.

5. REVENUE RESERVES

General reserve	5,940,000	6,190,000
Unappropriated profit	1,291,667	1,671,801
	7,231,667	7,861,801

				Note	March 31, 2007	December 31, 2006	
•	NO		DDENT LIADIUITICO			(Rupe	es '000)
6.	Lon	g terr	RRENT LIABILITIES In financing - secured Inount payable within twelve months	6.1	2,872,830	2,081,077	
	LUGG		own as current maturity		840,330	887,327	
			·····,		2,032,500	1,193,750	
6.1			nt in this account during the				
	-		ear is as follows:				
		-	balance		2,081,077	2,868,403	
	Disb	urse	ments during the period/year		900,000	1,100,000	
	Rep	ayme	ents during the period/year		(108,247)	(1,887,326)	
	Clos	ing b	palance		2,872,830	2,081,077	
7.	CON	ITIN	GENCIES AND COMMITMENTS				
	(a)	Co	ntingencies				
		(i)	Guarantees issued by banks on of the Company	behalf	17,803	18,228	
		(ii)	Disputed demand for Income tax and contribution to Workers' Welfare Fund to former PSFL decided in favour Company by the income tax app authorities, are currently in appeal department. The Company is confide there are reasonable grounds for a favour	related of the ellate by the ent that			
			decision.		295,590	295,590	
		(iii)	Claims against the Company and/ or perposure not acknowledged as debt.	ootential	73,776	73,776	
	(b)	Co	mmitments in respect of:				
		(i)	Capital expenditure		465,380	378,294	
		(ii)	Purchase of fertilizer, stores, spare other revenue items.	es and	631,249	468,511	
		(iii)	Rentals under lease agreements: Premises Vehicles		99,514 229,905	97,877 239,771	



For the first quarter ended March 31, 2007 (Un-Audited)

		Note	March 31, 2007	December 31, 2006
				(Rupees '000)
8.	PROPERTY, PLANT AND EQUIPMENT			
	Opening written down value		9,607,957	9,184,727
	Additions		157,630	1,410,487
	Written down value of disposals/adjustments		(660)	(189,327)
	Depreciation		(198,835)	(797,930)
	Closing written down value		9,566,092	9,607,957
9.	LONG TERM INVESTMENTS			
	Investment in joint venture - at cost			
	Pakistan Maroc Phosphore S.A., Morocco		705,925	705,925
	Investment in subsidiary - at cost			1
	Fauji Fertilizer Bin Qasim Limited (FFBL)		4,752,330	4,752,330
	Investments available for sale			1
	Certificates of investment		290,445	293,124
	Investments held to maturity			! !
	Pakistan Investment Bonds		600,000	600,000
	Term Finance Certificates		149,910	149,930
			749,910	749,930
			6,498,610	6,501,309
	Less: Current portion shown under short term			
	investments	11		I I
	Investments available for sale			I I
	Certificates of investment		94,944	91,867
	Investments held to maturity			
	Term Finance Certificates		60	60
			95,004	91,927
			6,403,606	6,409,382
				l l

10. OTHER RECEIVABLES

These include receivable from Government of Pakistan amounting to Rs 645,701 thousand (2006:Rs 863,881 thousand) on account of subsidy on stocks and imports of potassic and phosphatic fertilizers as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan.

		March 31, 2007	December 31, 2006
			(Rupees '000)
11.	SHORT TERM INVESTMENTS		
	Investment at fair value through profit or loss		
	Meezan Balanced Fund	81,500	86,000
	National Investment Trust	104,380	96,154
	Nafa Cash Fund	22,022	21,447
	Available for sale (net of provision for doubtful		
	recovery Rs 13,000 thousand)	-	500,000
	Held to maturity		
	Term deposits with banks and financial institutions		
	Local currency	_	775,000
	Foreign currency	873,934	882,322
	Current maturity of long term investments	95,004	91,927
	ouncil maturity of long term investments	1,176,840	2,452,850
		March 24	March 31,
		March 31, 2007	2006
			(Rupees '000)
12.	COST OF SALES		(Nupces ooo)
	Dow motorials consumed	4 400 740	4 205 224
	Raw materials consumed	1,402,748	1,225,321
	Fuel and power	854,888	856,117
	Chemicals and supplies	35,658	28,282
	Salaries, wages and benefits	320,516	297,378
	Training and employees welfare	82,699	53,743
	Rent, rates and taxes	5,084	4,727
	Insurance	25,045	24,050
	Travel and conveyance	28,983	16,773
	Repairs and maintenance	117,701	163,248
	Depreciation Communication, establishment	194,904	180,177
	and other expenses	116,613	94,589
	Opening stock-work in process	23,484	·
	Closing stock-work in process	(21,332)	18,028 (21,146)
	Cost of goods manufactured	3,186,991	2,941,287
	Cost of goods manufactured	3,100,991	2,341,201
	Add: Opening stock of manufactured urea	34,298	19,386
	Less: Closing stock of manufactured urea	(1,097,679)	(11,547)
		(1,063,381)	7,839
	Cost of sales of own manufactured urea	2,123,610	2,949,126
	Opening stock of purchased fertilizers	839,602	487,978
	Purchase of fertilizers for resale	_	1,561,220
	Taronado di formizoro foi rodalo	839,602	2,049,198
	Less: Closing stock of purchased fertilizers	(605,630)	(807,361)
	Cost of sales of purchased fertilizers	233,972	1,241,837
	5. 56.55 5. ps. 514054 1514112010	200,012	.,,
		2,357,582	4,190,963



	March 31, 2007	March 31, 2006
13. EARNINGS PER SHARE		
Net profit after tax (Rupees '000)	1,294,415	1,235,368
Weighted average number of shares in issue		
during the period - (000)	493,474	493,474
Basic and diluted earnings per share (Rupees)	<u> 2.62</u>	2.50
There is no dilutive effect on the basic earnings per sh	nare of the Company.	
	March 31,	March 31,
	2007	2006
14. CASH USED IN OPERATIONS		(Rupees
Net profit before taxation	1,729,415	1,819,368
Adjustments for:		
Depreciation	197,625	182,846
Amortization of goodwill	-	26,154
Finance cost	104,223	94,601
Gain on sale of property, plant and equipment	(2,740)	(1,592)
Income on loans, deposits and investments	(61,942)	(146,373)
Exchange (gain)/loss	(3,124)	768
Gain on remeasurement of investment at		
fair value through profit or loss	(4,302)	(7,500)
Dividend from FFBL	(594,041)	(237,616)
	(364,301)	(88,712)
	1,365,114	1,730,656
Changes in working capital		
(Increase)/ decrease in current assets		
Stores and spares	(113,290)	(159,839)
Stock in trade	(830,206)	(342,726)
Trade debts	209,474	320,414
Loans and advances	(24,593)	(18,857)
Deposits and prepayments	(128,996)	(122,843)
Other receivables	230,341	5,470
Decrease in current liabilities	(4.000.004)	(0.400.507)
Trade and other payables	(1,320,864)	(2,468,507)
	(1,978,134)	(2,786,888)
Changes in long term loans and advances	(28,560)	(3,905)
Changes in long term deposits and prepayments	782	1,002
	(640 700)	(1.050.135)
	(640,798)	(1,059,135)

For the first quarter ended March 31, 2007 (Un-Audited)

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

There is no change in the relationship with the related parties. Significant transactions and balances with the related parties are as follows:

	March 31, 2007	March 31, 2006
		(Rupees '000)
Transactions with subsidiary company		
Marketing of fertilizer on behalf of FFBL		
under sale on consignment basis	62,457	43,522
Commission on sale of FFBL products	4,575	4,486
Services and materials provided	68,345	52,248
Services and materials received	-	1,259
Dividend income	594,041	237,616
Balance payable - unsecured	107,862	375,022*
Transactions with associated undertakings/companies		
due to common directorship		
Medical services	27	4
Office rent	700	600
Dividends paid	853,537	492,426
Purchase of gas as feed and fuel stock	2,073,851	1,919,419
Technical services received	4,072	3,975
Catalyst purchased	_	65,715
Balance receivable - unsecured	31	234*
Balance payable - unsecured	417,633	432,302*
Transactions with joint venture company		
Balance of advance against issue of shares	705,925	705,925*
Other related parties		
Remuneration of Chief Executive and Executives: Remuneration including benefits and perquisites of		
chief executive and other executives. No of persons		
2007: 1 and 310 (2006: 1 and 264) respectively	190,212	158,139
Payments to:		
Employees' Provident Fund Trust	35,344	31,183
Employees' Gratuity Fund Trust	44,592	44,548
Employees' Pension Fund Trust	35,472	36,438
Workers' Profit Participation Fund	400,000	400,000
Balance payable - unsecured	67,834	378,761*

 $^{^{\}star}$ Comparative figures of receivable/payable balances are as of December 31, 2006.



For the first quarter ended March 31, 2007 (Un-Audited)

GENERAL

- 16.1 Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.
- 16.2 The Board of Directors in their meeting held on April 26, 2007 have proposed first interim dividend of Rs 2.50 per share.
- 16.3 These financial statements have been authorised for issue by the Board of Directors of the Company on April 26, 2007.

IFFCConsolidated Financial Statements

Consolidated Balance Sheet As at March 31, 2007 (Un-Audited)

		March 31,	December 31,
	Note	2007	2006
		(Rupees	3 '000)
SHARE CAPITAL AND RESERVES			
Share capital	4	4,934,742	4,934,742
Capital reserve		276,184	276,184
Revenue reserves	5	6,303,156	7,336,881
		11,514,082	12,547,807
MINORITY INTEREST		3,804,403	4,194,102
		15,318,485	16,741,909
NON CURRENT LIABILITIES	6	9,997,563	9,273,744
DEFERRED TAXATION		5,205,805	5,030,339
CURRENT LIABILITIES			
Trade and other payables		4,211,704	6,337,033
Interest and mark-up accrued		259,703	238,991
Short term borrowings		9,131,486	9,062,926
Current portion of long term:			
- Financing		1,257,274	1,304,271
- Murabaha		38,679	38,679
- Loans		648,201	648,201
- Liabilities against assets			
subject to finance lease		2,274	2,586
Taxation		1,266,538	1,305,606
		16,815,859	18,938,293
CONTINGENCIES AND COMMITMENT	S 7		
		47,337,712	49,984,285

The annexed notes 1 to 15 form an integral part of these consolidated financial statements.

1	Note	March 31, 2007	December 31, 2006
		(Rupee	s '000)
PROPERTY, PLANT AND EQUIPMENT	8	25,226,046	24,538,295
GOODWILL		1,569,234	1,569,234
LONG TERM INVESTMENTS	9	3,062,426	3,068,202
LONG TERM LOANS AND ADVANCES		105,207	76,647
LONG TERM DEPOSITS AND PREPAYMENTS	;	18,683	19,747
CURRENT ASSETS			
Stores, spares and loose tools		3,282,066	2,999,367
Stock in trade		2,386,700	1,753,440
Trade debts		894,048	1,192,699
Loans and advances		304,573	156,405
Deposits and prepayments		162,283	30,546
Other receivables	10	2,934,875	2,765,488
Short term investments	11	1,715,194	2,955,237
Cash and bank balances		5,676,377	8,858,978
		17,356,116	20,712,160

47,337,712 49,984,285

Chairman

Chief Executive

Consolidated Profit and Loss Account

For the first quarter ended March 31, 2007 (Un-Audited)

		March 31,	March 31,
	Note	2007	2006
		(Rupees	'000)
Sales		7,191,766	9,229,483
Cost of sales	12	4,471,413	6,127,254
GROSS PROFIT		2,720,353	3,102,229
Administrative expenses and distribution c	ost	827,154	996,888
		1,893,199	2,105,341
Finance cost		248,806	193,384
Other expenses		194,134	200,321
		1,450,259	1,711,636
Other income		257,929	307,906
NET PROFIT BEFORE TAXATION		1,708,188	2,019,542
Provision for taxation		633,467	739,929
NET PROFIT AFTER TAXATION		1,074,721	1,279,613
ATTRIBUTABLE TO:			
Equity holders of Fauji Fertilizer Company Limit	ted	890,824	1,140,467
Minority interest		183,897	139,146
		1,074,721	1,279,613

The annexed notes 1 to 15 form an integral part of these consolidated financial statements.

Chairman

Chief Executive

Consolidated Cash Flow Statement

For the first quarter ended March 31, 2007 (Un-Audited)

	Note	March 31, 2007 (Rupe	March 31, 2006 es '000)
CASH FLOWS FROM OPERATING ACTIVITIES		(11440	30 000,
Finance cost paid		(224,970)	(182,122)
Income tax paid		(517,086)	(494,856)
Net cash used in operating activities		(1,431,366)	(2,792,873)
Net cash used in operating activities		(1,431,300)	(2,732,073)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		3,386	1,604
Interest received		279,948	338,985
Long term deposits		282	_
(Increase) / decrease in investments		(82,871)	95,069
Net cash used in investing activities		(933,949)	(184,142)
·			
CASH FLOWS FROM FINANCING ACTIVITIES			
- repayments		(212,484)	(212,482)
Long term murabaha - repayments		(9,669)	(9,669)
Finance lease paid		(1,337)	(1,389)
Short term borrowings		109,921	435,723
Dividends paid		(2,931,315)	(2,005,009)
Net cash used in financing activities		(2,144,884)	(1,792,826)
Net decrease in cash and cash equivalents		(4,510,199)	(4,769,841)
Cash and cash equivalents at beginning of the period		6,588,581	11,871,419
Cash and cash equivalents at end of the first quarter		2,078,382	7,101,578
CASH AND CASH EQUIVALENTS			
Short term running finances		(4,490,475)	(1,918,800)
Short term highly liquid investments		892,480	3,567,860
		2,078,382	7,101,578
The annexed notes 1 to 15 form an integral part of these cons	olidated	financial stateme	nts.

Chairman

Chief Executive

Consolidated Statement of Changes in Equity

For the first quarter ended March 31, 2007 (Un-Audited)

A	Attributable to equity holders of Fauji Fertilizer Company Limited					
-	Share capital	Capital reserve	General reserve	Unappropriated Profit/(loss)	Minority Interest	Total
Balance at January 01, 2006 as previously reported	4,934,742	276,184	7,290,000	(882,556)	3,796,112	15,414,482
Transfer to general reserve due to change in accounting policy	-	-	100,000	(100,000)	-	-
Restated balance at January 01, 2006	4,934,742	276,184	7,390,000	(982,556)	3,796,112	15,414,482
FFC Final dividend 2005: Rs 2.25 per share	-	-	-	(1,110,317)	-	(1,110,317)
FFBL Final dividend 2005: Re 0.5 per share	-	-	-	-	(229,438)	(229,438)
Net profit for the quarter ended March 31, 2006	-	-	-	1,140,467	139,146	1,279,613
Balance at March 31, 2006	4,934,742	276,184	7,390,000	(952,406)	3,705,820	15,354,340
Balance at January 01, 2007	4,934,742	276,184	6,190,000	1,146,881	4,194,102	16,741,909
Transfer from general reserve	-	-	(250,000)	250,000	-	-
FFC Final dividend 2006: Rs 3.9 per share	-	-	-	(1,924,549)	-	(1,924,549)
FFBL Final dividend 2006: Rs 1.25 per share	-	-	-	-	(573,596)	(573,596)
Net profit for the quarter ended March 31, 2007	-	-	-	890,824	183,897	1,074,721
Balance at March 31, 2007	4.934.742	276.184	5.940.000	363.156	3.804.403	15.318.485

The annexed notes 1 to 15 form an integral part of these consolidated financial statements.

452,518

,115,895)

19,800)

Chairman

Chief Executive

Director

(Rupees'0

For the first quarter ended March 31, 2007 (Un-Audited)

- 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. The principal activity of FFC and its subsidiary is manufacturing, purchasing and marketing of fertilizers and chemicals including investment in chemical manufacturing operations.
- 2. These consolidated financial statements are un-audited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. These consolidated financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34 'Interim Financial Reporting'.
- 3. Accounting policies, related judgments, estimates and assumptions 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, 2006 except for the following changes in accounting policy and estimate:

3.1 Change in Accounting Policy

Pursuant to the adoption of IFRS 3 - "Business Combinations" by the Securities & Exchange Commission of Pakistan vide SRO No.1228(I)/2006 dated December 06, 2006, the Company has ceased the amortization of goodwill arising on acquisition of Pak Saudi Fertilizer Limited. The treatment has been made prospectively during the period in accordance with the requirements of IFRS 3. The goodwill is now being stated at its carrying value as at December 31, 2006 and is being tested for impairment only. This change has resulted in increased net profit before tax for the period by Rs 26,154 thousand.

3.2 Change in Accounting Estimate

Full month's depreciation is charged on normal additions to property, plant and equipment while no depreciation is charged on such items in the month of deletion, which has affected a lower depreciation charge of Rs 653 thousand for the quarter ended March 31, 2007.

March 31,	December 31,
2007	2006
(Rupee	s (000)

4. SHARE CAPITAL

ISSUED, SUBSCRIBED AND FULLY PAID UP CAPITAL

(Numbers)

256,495,902	Ordinary shares of Rs 10 each fully paid 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 CAPITAL

This represents 500,000,000 (2006: 500,000,000) ordinary shares of Rs 10 each

5. REVENUE RESERVES

General reserve	5,940,000	6,190,000
Unappropriated profit	363,156	1,146,881
	6,303,156	7,336,881

				Note	March 31, 2007	December 31, 2006	
						(Rupees	'000)
6.			RRENT LIABILITIES	0.4	4.044.044	0.057.005	
			n financing - secured	6.1	4,644,841	3,957,325	
	,	_	n murabaha - secured	6.2	164,383	174,052	
			n Ioan - Government of Pakistan	6.2	7 120 200	7 120 200	
			L (Un-secured) against assets subject to finance lease	6.3	7,130,208 4,559	7,130,208 5,896	
	LIAD	IIIIIES	against assets subject to linance lease		11,943,991	11,267,481	
	وم ا	· Δm	nount payable within twelve months		11,943,991	11,207,401	
	LUG		own as current maturity		1,946,428	1,993,737	
		0.11	om as surron matany		9,997,563	9,273,744	
6.1			nt in this account during the period/ s follows:				
	Оре	ning	balance		3,957,325	5,119,928	
	Disb	urse	ments during the period/year		900,000	1,100,000	
			ents during the period/year		(212,484)	(2,262,603)	
	Clos	sing b	alance		4,644,841	3,957,325	
6.2			nt in this account during the period/				
			balance		174,052	254,397	
			ents during the period/year		(9,669)	(80,345)	
			valance		164,383	174,052	
6.3	year Ope Adju	is as ning Istme	nt in this account during the period/ s follows: balance ent during the year palance		7,130,208 - 7,130,208	7,778,409 (648,201) 7,130,208	
7.			GENCIES AND COMMITMENTS				
	a)	i)	ntingencies Guarantees issued by banks on behalf Group companies.	of the	53,971	46,697	
		ii)	Disputed demand for income tax and la contribution to Workers' Welfare Fund to former PSFL decided in favour of FFC Income Tax Appellate Authorities, are cuin appeal by the department. FFC is contact there are reasonable grounds favourable decision.	related by the urrently nfident	005 500	005 500	
		iii)	Income tax demands, not acknowledgebt, have been challenged by FFBL a	nd are	295,590	295,590	
			currently in appeal; FFBL expects favo outcome of appeal.	urable	50,727	50,727	
		iv)	Claims against the Group companies potential exposure not acknowledged as		85,974	85,974	
		v)	Indemnity bonds and undertakings giver customs authorities for the machinery im by FFBL for installation at plant site.		110 650	110 650	
			,		119,650	119,650	

For the first quarter ended March 31, 2007 (Un-Audited)

		Note	March 31, 2007	December 31, 2006
				(Rupees '000)
b)	Commitments in respect of:			
	i) Capital expenditure.		1,394,613	1,675,156
	ii) Purchase of fertilizer, stores, spares and		0.47.047	705 450
	other revenue items.		847,317	785,459
	iii) Rentals under lease agreements: Premises		99,514	97,877
	Vehicles		229,905	239,771
	Verificies		223,303	209,171
8.	PROPERTY, PLANT AND EQUIPMENT			
	Opening written down value		24,538,295	23,747,830
	Additions during the period/year		1,134,694	3,579,681
	Written down value of disposals/ adjustments		(677)	(1,001,148)
	Depreciation during the period/ year		(446,266)	(1,788,068)
	Closing written down value		25,226,046	24,538,295
9.	LONG TERM INVESTMENTS			
	Investment in injuty antique of cost			
	Investment in joint venture - at cost Pakistan Maroc Phosphore S.A., Morocco		2,117,075	2,117,075
	Investment available for sale			
	Certificates of investment		290,445	293,124
	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)
			290,445	293,124
	Investments held to maturity		250,445	250,124
	Pakistan Investment Bonds		600,000	600,000
	Term Finance Certificates		149,910	149,930
			749,910	749,930
			3,157,430	3,160,129
	Less: Current portion shown under			
	short term investments	11		
	Investment available for sale			
	Certificates of investment		94,944	91,867
	Invoctments held to maturity			
	Investments held to maturity Term Finance Certificates		60	60
	remi i mance Certificates		95,004	91,927
			3,062,426	3,068,202
			-,,	-,, -=

10. OTHER RECEIVABLES

These include receivable from Government of Pakistan amounting to Rs 1,943,701 thousand (2006: Rs 1,809,964 thousand) on account of subsidy on stock, production and imports of potassic and phosphatic fertilizers as notified by the Ministry of Food, Agriculture and Live Stock, Government of Pakistan.

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		March 31, 2007	December 31, 2006
44	SHORT TERM INVESTMENTS		(Rupees
11.	SHORT TERM INVESTMENTS		
	Investments at fair value through profit or loss		
	Meezan Balanced Fund	81,500	86,000
	National Investment Trust	104,380	96,154
	Nafa cash Fund	22,022	21,447
	Fixed income / money market funds	538,354	502,387
		746,256	705,988
	Available for sale (net of provision for doubtful		
	recovery Rs 13,000 thousand)	-	500,000
	Held to maturity		
	Term deposits with banks and financial institutions		
	Local currency	_	775,000
	Foreign currency	873,934	882,322
	Current maturity of long term investments	95,004	91,927
		1,715,194	2,955,237
		Manah 24	Manah 24
		March 31, 2007	March 31, 2006
			(Rupees
12.	COST OF SALES		(
	Raw materials consumed	3,389,837	2,874,875
	Fuel and power	1,141,456	1,118,239
	Chemicals and supplies	52,179	42,637
	Salaries, wages and benefits	453,085	386,299
	Training and employees welfare	82,699	53,743
	Rent, rates and taxes	10,699	10,039
	Insurance	36,245	35,827
	Travel and conveyance	36,952	22,638
	Repairs and maintenance	309,888	256,050
	Depreciation	441,464	414,542
	Communication, establishment and other expenses	121,922	100,774
	Opening stock - work in process	28,285	19,532
	Closing stock - work in process	(25,737)	(23,358)
	Subsidy on DAP fertilizer from GOP - FFBL	(597,010)	
	Cost of goods manufactured	5,481,964	5,311,837
	Add: Opening stock of manufactured fertilizers	133,620	418,109
	Less: Closing stock of manufactured fertilizers	(1,388,881)	(1,107,943)
	3	(1,255,261)	(689,834)
	Cost of sales of own manufactured fertilizers	4,226,703	4,622,003
	Opening stock of purchased fertilizers	979,487	491,193
	Purchase of fertilizers for resale	313,401	1,822,897
	i dionage of formizers for resale	979,487	2,314,090
	Less: Closing stock of purchased fertilizers	(734,777)	(808,839)
	Cost of sale of purchased fertilizers	244,710	1,505,251
	oost of ballo of paronasca fertilizers	4,471,413	6,127,254
		——————————————————————————————————————	

March 31,

March 31,

	2007	2006	
		(Rupees '000)	
3. CASH USED IN OPERATIONS			
Net profit before taxation	1,708,188	2,019,542	
Adjustments for:			
Depreciation	445,056	417,911	
Provision for gratuity, pension and leave encashment	3,474	_	
Amortization of goodwill	_	26,154	
Finance cost	248,806	193,384	
Income on loans, deposits and investments	(232,769)	(281,868)	
Gain on sale of property, plant and equipment	(2,742)	(1,599)	
Exchange (gain) / loss	(3,124)	768	
Gain on remeasurement of investments at fair value			
through profit or loss	(40,269)	(7,500)	
	418,432	347,250	
	2,126,620	2,366,792	
Changes in working capital			
(Increase)/decrease in current assets:			
Stores and spares	(282,699)	(185,037)	
Stock in trade	(633,260)	(968,318)	
Trade debts	298,651	357,373	
Loans and advances	(148,168)	(53,969)	
Deposits and prepayments	(131,737)	(122,210)	
Other receivables	226,123	28,183	
Decrease in current liabilities:			
Trade and other payables	(2,117,062)	(3,535,806)	
	(2,788,152)	(4,479,784)	
Changes in long term loans and advances	(28,560)	(3,905)	
Changes in long term deposits and prepayments	782	1,002	
	(689,310)	(2,115,895)	

For the first quarter ended March 31, 2007 (Un-Audited)

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

There is no change in relationship with the related parties. Significant transactions and balances with the related parties are as follows:

	March 31, 2007	March 31, 2006
Transactions with associated undertaking/companies due to common directorship		(Rupees '000)
Sale of fertilizer	482	301
Rent charged to Group Companies	886	786
Dividend paid	1,050,166	569,377
Repayment of principal portion of long term finance	11,429	11,429
Financial charges	4,314	5,202
Medical services	27	4
Purchase of gas as feed and fuel stock	2,073,851	1,919,419
Technical services received	4,072	3,975
Catalyst purchased	_	65,715
Balance payable - secured	194,286	205,714*
Balance payable - unsecured	421,947	436,971*
Balance receivable - unsecured	1,381	1,499*
Transactions with joint venture company		
Balance of advance against issue of shares	2,117,075	2,117,075*
Other related parties		
Remuneration of Chief Executive & Executives: Remuneration including benefits and perquisites of chief executive and executives: No. of persons 2007: 2 and 399 (2006: 2 and 330)	281,549	217,015
Payments to:		
Employees' Provident Fund Trust	38,510	33,991
Employees' Gratuity Fund Trust	48,066	47,511
Employees' Pension Fund Trust	35,472	36,438
Workers' Profit Participation Fund	414,973	409,206
Purchase of raw materials	1,226,466	1,198,735
Balances payable - unsecured	98,730	393,734*
Balances payable - secured	804,637	1,126,636*

^{*} Comparative figures of receivable/payable balances are as of December 31, 2006.

For the first quarter ended March 31, 2007 (Un-Audited)

15. GENERAL

- **15.1** Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.
- **15.2** The Board of Directors of FFC in their meeting held on April 26, 2007 have proposed first interim dividend of Rs 2.50 per share.
- **15.3** These consolidated financial statements have been authorised for issue by the Board of Directors of FFC on April 26, 2007.

Chairman

Chief Executive