

CONTENTS

Company Information	2
Directors' Review	3
Balance Sheet	6
Profit & Loss Account	8
Cash Flow Statement	9
Statement of Changes in Equity	10
Notes to the Accounts	11

COMPANY INFORMATION

- ▶ **DIRECTORS**
 - Lt Gen Syed Arif Hasan, HI(M), (Retired)
Chairman
 - Lt Gen Muhammad Akram, HI(M), (Retired)
Chief Executive & Managing Director
 - Lt Gen Munir Hafiez, HI(M), (Retired)
 - Mr. Qaiser Javed
 - Mr. Shabbir Hashmi
 - Brig Aftab Ahmad, SI(M), (Retired)
 - Brig Munawar Ahmed Rana, SI(M), (Retired)
 - Mr. Istaqbal Mehdi
 - Brig Ghazanfar Ali, SI(M), (Retired)
- ▶ **SECRETARY**
 - Brig Tariq Mahmood, SJ, SI(M), (Retired)
- ▶ **REGISTERED OFFICE**
 - 93-Harley Street, Rawalpindi, Pakistan
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 - Fax: (051) 9272198-9
 - E-mail: secy@ffbl.com.pk
 - Website: <http://www.ffbl.com.pk>
- ▶ **PLANTSITE**
 - Bin Qasim, Karachi, Pakistan
- ▶ **AUDITORS**
 - KPMG Taseer Hadi & Co
Chartered Accountants
6th Floor, State Life Building,
Jinnah Avenue, Islamabad.
- ▶ **LEGAL ADVISORS**
 - Orr Dignam & Co
Advocates,
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Islamabad, Pakistan
- ▶ **SHARE DEPARTMENT**
 - 73-Harley Street, Rawalpindi
Ph: (051) 9273251

DIRECTORS' REVIEW

First Quarter 2006

Operational Highlights

The Board of Directors is pleased to present a brief overview of the operational and financial performance of the Company for the period ended March 31, 2006. One of the salient features of the Company's performance during the quarter under review is that the plant turnaround has commenced w.e.f. March 21st 2006, as planned to implement first phase of ammonia BMRE. Turnaround is progressing satisfactorily and as a result ammonia plant capacity is expected to increase by 2%.

Due to 27 days shutdown for BMRE/turnaround and gas curtailment in winter by Sui Southern Gas Company Limited, production of Ammonia, Granular Urea and DAP remained below as compared to the same period last year. However, Industry urea production of 1,183 kt during the quarter was higher by 6% , as compared to the same period last year. To narrow the gap between demand and supply in the country, 196 kt urea was imported as against 57 kt in the corresponding quarter of the last year.

Marketing Highlights

The urea market at the start of the year 2006, showed a healthy trend which was a continuation of high demand situation prevailing in the last quarter of the year 2005 due to better water availability and good commodity prices. Attractive urea market prices and speculation of short supplies had encouraged the fertilizer dealers to stock the product. Industry urea sale of 1,338 kt (inclusive of imported urea) during the quarter under review was 16 % higher than the sales in the same period last year. The industry urea inventory of 107 kt (inclusive of imported urea) as at March 31, 2006 was 245 % higher than the inventory on the same date last year.

Industry DAP inventory at the beginning of the year 2006 was 292 kt compared to 65 kt at the start of the year 2005. The industry DAP sales of 132 kt were 34 % higher than the sales in the same period last year. The industry DAP inventory of 286 kt as on March 31, 2006, was 201 % higher than the inventory on the same date last year.

Granular urea sales during the quarter at 133 kt were lower by 16% than the sales of same period last year. During the quarter, the Company also sold 32 kt of urea imported by the Government. The Company's share of urea market was 11% as compared to 14 % in the same period last year. The Granular urea inventory at the quarter end has reached a level of 4 kt because of higher demand. Sale prices of Granular urea have increased by 10 % over the prices in same period last year.

DAP sales stood at 60 kt which were 2% higher than the sales in the same period last year. The Company's share of DAP market was 45% compared to 60% in the same period last year. Sale prices of DAP have increased by 5 % over the prices in same period last year. However, the increase in cost of production of DAP is higher and as a result DAP margins have reduced.

Financial Highlights

The Company earned a gross profit of Rs. 758 million, as compared to Rs 878 million during the same period last year. The shortfall is mainly due to decrease in urea production, plant turnaround and lower production in the month of January 2006. The production cost increased by Rs 212 million mainly on account of increase in price of phosphoric acid by US\$ 50 per ton, in fuel gas price by 22% and annual turnaround cost of Rs 45 million as compared to the same period last year. Consequently, the gross profit margin during the current quarter decreased by 7 % i.e, from 35% to 28%.

Distribution cost increased by Rs 45 million i.e, from Rs 272 million to Rs 317 million, mainly due to enhanced transportation costs as a result of increase in fuel costs.

Financial costs increased by Rs 49 million (from Rs 50 million to Rs 99 million) mainly due to increase in one year T bill rates as well as KIBOR rates and higher utilization of working capital lines, compared to the same period last year.

Other income increased by Rs 50 million i.e, Rs 87 million to Rs 137 million due to better treasury management and increase in profit rates, compared to the same period last year.

As a result of the above, profit after tax reduced by Rs 98 million (from Rs 375 million to Rs 277 million) i.e, by 5%, compared to the same period last year.

Future Outlook

International price of urea is expected to stay firm which is currently more than double the domestic price. The Country will remain in the import regime as domestic demand continues to grow and is more than the indigenous production. In order to address this shortfall, gas allocation to fertilizer industry is to be done on priority. The Government is requested to announce gas allocations for 1-2 urea plants urgently.

Balancing, Modernization, Revamping and Expansion

To maintain your Company's commitment to sustainable profit growth and enhancing shareholders' value, we are implementing a BMRE project of ammonia plant to increase its production capacity and efficiency. This project Insha-Allah will be completed in the second quarter of 2007, thereby

enhancing ammonia capacity to 123%, which in turn will increase urea capacity by 15% and DAP by 50% approximately. Work on expansion of DAP plant to 151% of its capacity has also started and the project is expected to be completed in 4th quarter 2007, Insha-Allah. To this end basic and detailed engineering contract with M/S Jacobs Engineering Inc of USA has been signed. In a nutshell, expansion activities are in full swing at the plant site. These projects are being financed out of Company's own resources.

Plant turn around has been successfully completed in April as planned and we have been able to achieve our objective of completing 40% ammonia BMRE activities. As a result we have been successful in demonstrating our ability to carry out this difficult undertaking.

Pakistan Maroc Phosphore S.A

Sixth Board of Directors meeting was held on 22 March 2006 at OCP Head Office in Casablanca, Morocco. The Board was briefed on the Project status. The Project is progressing according to schedule and within overall budget of MAD 2,030 million. Major targets in engineering and procurement have been achieved. Detailed engineering for sulphuric acid and phosphoric acid plants is in progress and all long delivery equipment have been ordered.

The project is expected to be completed on time and is likely to start commercial operations in 3rd quarter 2007.

For and on behalf of the Board

LtGen Syed Arif Hasan, HI(M) (Retd)
Chairman

Rawalpindi
24 April 2006

BALANCE SHEET (UN-AUDITED)

AS AT MARCH 31, 2006

	Note	March 31, 2006 (Rupees '000)	December 31, 2005
SHARE CAPITAL AND RESERVES			
Share capital		9,341,100	9,341,100
Capital reserve		228,350	228,350
Accumulated loss		<u>(2,031,655)</u>	<u>(1,841,919)</u>
		7,537,795	7,727,531
NON-CURRENT LIABILITIES			
Long term financing	5	1,772,012	1,876,248
Liabilities against assets subject to finance lease	6	5,624	6,294
Long term murabaha	7	164,382	174,051
Deferred tax	8	1,478,212	1,322,283
Long term loan	9	7,130,208	7,130,208
CURRENT LIABILITIES			
Trade and other payables		2,194,005	2,905,995
Mark - up accrued		90,915	94,348
Short term borrowings		1,918,800	2,236,649
Current portion of:			
- Long term financing	5	416,944	416,944
- Liabilities against assets subject to finance lease	6	3,297	4,015
- Long term murabaha	7	38,679	38,679
- Long term loan	9	648,201	648,201
		5,310,841	6,344,831
CONTINGENCIES AND COMMITMENTS			
	10	<u>23,399,074</u>	<u>24,581,446</u>

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


CHAIRMAN


CHIEF EXECUTIVE

	Note	March 31, 2006 (Rupees '000)	December 31, 2005
PROPERTY, PLANT AND EQUIPMENT			
	11	14,728,216	14,563,103
LONG TERM INVESTMENTS			
		734,275	734,275
LONG TERM DEPOSITS			
		17,395	17,395
CURRENT ASSETS			
Stores and spares		602,280	577,082
Stock in trade		1,648,548	1,022,957
Trade debts		78,122	115,081
Advances		72,928	37,816
Trade deposits and short term prepayments		2,673	3,306
Interest accrued		57,656	85,545
Other receivables		799,469	336,266
Income and sales tax refundable		214,323	157,005
Bank balances		4,443,189	6,931,615
		7,919,188	9,266,673
		<u>23,399,074</u>	<u>24,581,446</u>


DIRECTOR

PROFIT AND LOSS ACCOUNT (UN-AUDITED)

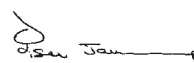
FOR THE QUARTER ENDED MARCH 31, 2006

	Note	2006 (Rupees '000)	2005
Sales - net		2,694,335	2,460,306
Cost of sales	12	(1,936,291)	(1,582,501)
Gross profit		758,044	877,805
Distribution costs		(316,573)	(272,290)
Administrative expenses		(23,959)	(20,674)
		417,512	584,841
Finance cost		(98,783)	(50,052)
Other operating expenses		(22,923)	(31,248)
		295,806	503,541
Other income		137,442	86,760
Profit before taxation		433,248	590,301
Taxation		(155,929)	(215,308)
Profit after taxation		277,319	374,993
Basic earnings per share (Rupees)		0.30	0.40

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


 CHAIRMAN


 CHIEF EXECUTIVE


 DIRECTOR
CASH FLOW STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2006

	Note	2006 (Rupees '000)	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	13	(1,056,758)	95,826
Income tax paid		(16,930)	(7,689)
Finance cost paid		(102,215)	(37,058)
Net cash (used in) / generated from operating activities		(1,175,903)	51,079
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(400,181)	(46,715)
Sale proceeds of property, plant and equipment		9	1,717
Profit received on bank balances		163,384	49,730
Net cash (used in) / generated from investing activities		(236,788)	4,732
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayment		(104,237)	(104,237)
Principal portion of lease rentals paid		(1,389)	(1,385)
Long term murabaha - repayment		(9,669)	(9,669)
Dividend paid		(642,591)	-
Net cash used in financing activities		(757,886)	(115,291)
Net decrease in cash and cash equivalents		(2,170,577)	(59,480)
Cash and cash equivalents at the beginning of the quarter		4,694,966	3,901,988
Cash and cash equivalents at the end of the quarter		2,524,389	3,842,508

CASH AND CASH EQUIVALENTS

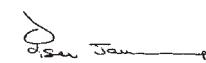
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

-Bank balances	4,443,189	5,624,706
-Short term borrowings	(1,918,800)	(1,782,198)
	2,524,389	3,842,508

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


 CHAIRMAN


 CHIEF EXECUTIVE


 DIRECTOR

STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

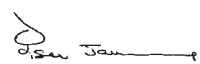
FOR THE QUARTER ENDED MARCH 31, 2006

	Share capital	Capital reserve	Accumulated loss	Total
	(Rupees '000)			
Balance at January 01, 2005	9,341,100	228,350	(2,422,808)	7,146,642
Net profit for the quarter ended March 31, 2005	-	-	374,993	374,993
Balance as at March 31, 2005	<u>9,341,100</u>	<u>228,350</u>	<u>(2,047,815)</u>	<u>7,521,635</u>
Balance at January 01, 2006	9,341,100	228,350	(1,841,919)	7,727,531
Net profit for the quarter ended March 31, 2006	-	-	277,319	277,319
Final dividend for the year 2005 (Re 0.5 per ordinary share)	-	-	(467,055)	(467,055)
Balance as at March 31, 2006	<u>9,341,100</u>	<u>228,350</u>	<u>(2,031,655)</u>	<u>7,537,795</u>

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


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR

NOTES TO THE ACCOUNTS (UN-AUDITED)

FOR THE QUARTER ENDED MARCH 31, 2006

- Fauji Fertilizer Bin Qasim Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984, and its shares are quoted on the stock exchanges in Pakistan. The principal objective of the Company is manufacturing, purchasing and marketing of fertilizers. The Company commenced its commercial production effective January 1, 2000.
- These 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 financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34: Interim Financial Reporting.
- The accounting policies adopted for the preparation of these financial statements are the same as those applied in preparation of financial statements for the preceding year ended December 31, 2005.

- Status of significant shareholding as at March 31, 2006 is given below:

	Shares	Percentage
Fauji Fertilizer Company Limited	475,232,996	50.88
Fauji Foundation	161,501,286	17.29
	March 31,	December 31,
	2006	2005
	(Rupees '000)	

- LONG TERM FINANCING - SECURED**

From banking companies and financial institutions

Habib Bank Limited	681,427	713,875
Standard Chartered Bank	389,654	408,210
Muslim Commercial Bank Limited	671,740	703,727
Askari Commercial Bank Limited	150,000	157,143
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited	56,135	58,808
	<u>1,948,956</u>	<u>2,041,763</u>

From associated undertaking

Pak Kuwait Investment Company (Pvt) Limited	240,000	251,429
	<u>2,188,956</u>	<u>2,293,192</u>
Less : Current portion shown under current liabilities	416,944	416,944
	<u>1,772,012</u>	<u>1,876,248</u>

- LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Present value of minimum lease payments	8,921	10,309
Less: Current portion shown under current liabilities	3,297	4,015
	<u>5,624</u>	<u>6,294</u>

- LONG TERM MURABAHA - SECURED**

Faysal Bank Limited	203,061	212,730
Less : Current portion shown under current liabilities	38,679	38,679
	<u>164,382</u>	<u>174,051</u>

	March 31, 2006	December 31, 2005
	(Rupees '000)	
8. DEFERRED TAX LIABILITY		
Deferred tax balance is in respect of the following major temporary differences:		
Accelerated depreciation	1,501,572	1,346,129
Provision against doubtful advances / receivables	(18,734)	(18,734)
Provision for inventory obsolescence	(1,504)	(1,504)
Liabilities against assets subject to finance lease	(3,122)	(3,608)
	<u>1,478,212</u>	<u>1,322,283</u>
9. LONG TERM LOAN - UNSECURED		
Government of Pakistan loan	5,148,455	5,148,455
Deferred Government Assistance	2,629,954	2,629,954
	<u>7,778,409</u>	<u>7,778,409</u>
Less: Current portion shown under current liabilities	648,201	648,201
	<u>7,130,208</u>	<u>7,130,208</u>
10. CONTINGENCIES AND COMMITMENTS		
Contingencies		
i) Indemnity bonds and undertakings given to the customs authorities for the machinery imported by the Company for installation at plant site	119,650	119,650
ii) Guarantees issued by banks on behalf of the Company	25,954	21,556
iii) Income tax demands raised on income on local currency bank deposits/unrealized exchange gain, which demands have been challenged and are currently in appeal; the Company expects favorable outcome in appeal	57,147	57,147
iv) Claim by a supplier, not acknowledged as debt by the Company	11,996	11,996
v) Commitment for equity investment in Pakistan Maroc Phosphore S.A.- Moroccan Dirhams 93,750 thousand (2005:93,750 thousand) equivalent approx.	623,719	622,500
Commitments		
i) Capital expenditure (commitment outstanding)		
Contracted	609,625	728,161
Non contracted	1,733,649	1,612,982
ii) Letters of credit for purchase of stores, spares and raw materials	371,854	643,607
11. PROPERTY, PLANT AND EQUIPMENT		
Opening written down value	14,563,103	14,539,349
Additions	400,181	965,999
Disposals	(26)	(10,063)
Depreciation	(235,065)	(939,438)
Depreciation on disposed off items	23	7,256
Closing written down value	<u>14,728,216</u>	<u>14,563,103</u>

	For the quarter ended March 31,	
	2006	2005
	(Rupees '000)	
12. COST OF SALES		
Raw materials consumed	1,583,516	1,476,790
Packing materials consumed	66,038	67,269
Fuel and power	262,122	233,081
Chemicals and supplies	14,355	13,505
Salaries, wages and benefits	88,921	69,864
Rent, rates and taxes	5,312	5,089
Insurance	11,777	10,932
Travel and conveyance	5,865	5,620
Repairs and maintenance	92,802	35,444
Communication, establishment and others	6,185	3,814
Depreciation	234,365	230,749
Provision for obsolete stores	-	4,297
Opening stock -work in process	1,504	4,482
Closing stock -work in process	(2,212)	(2,165)
Cost of goods manufactured	<u>2,370,550</u>	<u>2,158,771</u>
Opening stock -own manufactured fertilizers	398,723	39,403
Closing stock -own manufactured fertilizers	(1,096,396)	(673,418)
Cost of sales - own manufactured fertilizers	<u>1,672,877</u>	<u>1,524,756</u>
Opening stock -purchased fertilizer	3,215	4,751
Goods imported for resale	261,677	52,994
Closing stock -purchased fertilizer	(1,478)	-
Cost of sales - purchased fertilizer	<u>263,414</u>	<u>57,745</u>
	<u>1,936,291</u>	<u>1,582,501</u>
13. CASH GENERATED FROM OPERATIONS		
Profit from ordinary activities before taxation	433,248	590,301
Adjustment for:		
Depreciation	235,065	233,339
Provision for gratuity	2,976	5,009
Provision for leave encashment	4,188	6,608
Provision for obsolete stores	-	4,297
Profit on bank balances	(135,495)	(70,422)
Finance cost	98,783	50,052
Gain on sale of property, plant and equipment	(7)	(1,286)
Operating profit before working capital changes	<u>638,758</u>	<u>817,898</u>
Changes in working capital - net	<u>(1,695,516)</u>	<u>(722,072)</u>
Cash (used in) / generated from operations	<u>(1,056,758)</u>	<u>95,826</u>

For the quarter ended March 31,

2006 2005

(Rupees '000)

14. TRANSACTION WITH / BALANCES OF RELATED PARTIES

Fauji Fertilizer Company Limited

Services and material provided	1,259	448
Commission paid	4,487	4,452
Services and material acquired	52,248	54,928
Collection from debtors of the company remitted	2,088,447	2,705,927
Dividend paid	225,736	-
Consignment / current account-receivable (net)	725,934	224,258

Fauji Foundation

Goods sold to the projects	301	193
Balance receivable	1,017	617
Dividend paid	76,713	-
Rent charged	186	169

Actis (formerly CDC Holdings Sendirian Berhad)

Dividend paid	6,728	-
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Pak Kuwait Investment Company (Pvt) Limited

Repayment of principal portion of loan	11,429	11,429
Financial charges paid	5,202	3,166
Dividend paid	238	-
Loan and financial charges payable	245,202	288,880

Maroc Phosphore S.A., Morocco

Purchase of raw materials	1,198,735	1,089,966
Balance payable	845,320	900,124

Pakistan Maroc Phosphore S.A.

Balance of advance against issue of shares	734,275	358,600
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Employees' retirement benefits - Company's contribution

Contribution to Provident Fund	2,808	2,217
Contribution to Gratuity Fund	2,963	5,009

15. General

- 15.1 Figures have been rounded off to the nearest thousand rupees.
 15.2 Corresponding figures have been re-arranged/restated, wherever necessary, for the purpose of comparison.
 15.3 These financial statements were authorized for issue by the Board of Directors on April 24, 2006.


 CHAIRMAN


 CHIEF EXECUTIVE


 DIRECTOR