



CONTENTS

Company Information	1
Directors' Review	2
Balance Sheet	5
Profit & Loss Account	7
Cash Flow Statement	8
Statement of Changes in Equity	9
Notes to the Accounts	10

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. Istaqbal Mehdi

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

Brig Rahat Khan, SI(M), (Retired)

Dr. Nadeem Inayat

Brig Aslam Paunwar Khan, SI(M), (Retired)

SECRETARY

Brig Tariq Mahmood, SJ, SI(M), (Retired)

REGISTERED OFFICE

73-Harley Street, Rawalpindi, Pakistan

Tel: (051) 9272191 & 96-97

(051) 9270923

Fax: (051) 9272198-9

E-mail: secy@ffbl.com.pk

Website: <http://www.ffbl.com.pk>

PLANTSITE

Bin Qasim, Karachi, Pakistan

AUDITORS

KPMG Taseer Hadi & Co

Chartered Accountants

6th Floor, State Life Building,

Jinnah Avenue, Islamabad.

LEGAL ADVISORS

Orr Dignam & Co

Advocates,

3-A, Street 32, Sector F-8/1,

Islamabad, Pakistan

SHARES DEPARTMENT

73-Harley Street,

Rawalpindi

Ph: (051) 9273251

Operational Highlights

The Board of Directors is pleased to present a brief overview of the operational and financial performance of the Company for the quarter ended March 31, 2007. Plant turnaround has commenced w.e.f. March 20, 2007 as planned, to implement phase II of Ammonia BMRE. Turnaround, spread over total of 55 days is progressing satisfactorily and Ammonia Plant capacity is expected to enhance upto 123% on completion.

With the grace of Almighty, production of ammonia, urea and DAP remained higher than the same period of the year 2006. Production of ammonia at 105 KT, was 6% higher than 99 KT of the last year, Granular urea stood at 134 KT i.e, 1% higher than that of 132 KT of the last year and DAP rose to 121 KT which was 17% higher than the production of the same period of the last year at 103 KT. Highest ever daily production of ammonia i.e, 1,419 MT was achieved on January 4, 2007. There has been no downtime in Ammonia Plant ever since completion of BMR Phase-I in April 2006, however, it operated on low load for 15 days in Jan 2007 due to gas curtailment.

During the quarter, the industry produced 1,209 KT urea, which was 2% higher than 1,181 KT of the same period in the last year. To narrow the gap between demand and supply, 55 KT urea was imported vis-a-vis 196 KT urea imports during the corresponding quarter of the last year.

Marketing Highlights

The year 2007 started with 233 KT urea inventory, which was 224% higher than 72 KT opening inventory of year 2006. Higher opening inventory with marketing companies, imports of 55 KT by Trading Corporation of Pakistan (TCP), large carry over urea stocks with dealers, continuous rains during Jan-Feb 2007 and low consumption have been the main contributory factors of an over supplied situation of urea during the first quarter.

Sales for the quarter remained at 862 KT comparing 1,339 KT of the same period in the last year, resulting in a decline of 36%. Consequently, inventory with the industry was built up to the level of 631 KT i.e, 6 times higher than March 2006. The inventory is also expected to rise further.

Urea prices were initially increased by Rs 10 per bag by all marketing companies. However, these were reduced by Rs 7 during February 2007, due to 10% reduction in the fuel gas charges.

DAP market witnessed a healthy trend, which was a continuation of high demand situation of the year 2006. Industry DAP inventory at the beginning of the year was 119 KT i.e, 59% lower comparing to 292 KT of the year 2006. DAP production during the first quarter was 121 KT i.e, 17% higher than 103 KT produced during Jan-Mar 2006.

DAP sales during the period are estimated at 153 KT i.e, 8% higher than 142 KT sales in the same period of the last year. DAP remained in high demand due to abnormal increase in International prices. The DAP inventory by the end March 2007 is estimated at 87 KT i.e, 68% lower than the same period of the last year due to stocks build up by the dealers and investors, in anticipation of DAP shortage.

Granular urea sales of the Company were 105% of the target in the quarter, 1 KT of imported urea was also sold. However, in the period total urea sales at 106 KT were 35% lower than 164 KT of the same period of year 2006 and our market share remained at 12%.

DAP sales of the Company rose to 123 KT during the quarter, which is 273% of the target. DAP sales were 105% higher as compared to 60 KT sales in the same period of the last year. Company's share of DAP market rose to 80%, compared to 44% in the same period of the last year.

Financial Highlights

The Company earned a gross profit of Rs. 920 million i.e, 21% higher than Rs 758 million during the same period last year. The increase is mainly due to rise in DAP sales. Consequently, the gross profit margin during the current quarter increased by 2% i.e, from 28% to 30% as compared with the same period of the last year.

Financial costs increased by Rs 45 million i.e, from Rs 99 million to Rs 144 million, mainly due to increase in one year T bill rates as well as KIBOR rates compared to the same period last year and higher utilization of working capital lines.

Other income increased by Rs 49 million i.e, from Rs 137 million to Rs 186 million due to better treasury management and enhanced markup rates, compared with same period of the last year.

As a result of the above, profit after tax increased by Rs 97 million i.e, from Rs 277 million to Rs 374 million, which is 2% higher compared to the same period last year. Owing to the increase in profit after tax, earning per share (EPS) has increased from Re 0.30 to Re 0.40 compared to the same period of last year.

GOP compensation amounting Rs 700 million accounted for in 2006 financial results, was received during this quarter. DAP subsidy, amounting Rs 1.3 billion at the end of this quarter, includes inventory claims of November and December 2006 together with production claims for the months of December 2006 to March 2007. GOP has assured that these balances will be cleared shortly.

Owing to global high demand, phosphate inventories remained in a very tight supply, which has resulted in a continuous rise in International DAP prices. During the last quarter, International DAP prices rose by 40% - 50% approximately i.e, from US\$ 300 to US\$ 425 / MT. High demand is expected to continue in the near future as well.

GOP, being aware of the situation has taken a right step to increase subsidy on DAP by Rs 150 per bag i.e, from Rs 250 to Rs 400 per bag to meet the objective of balanced fertilizers utilization and affordable price for the farmers.

Future Outlook

Ammonia Balancing, Modernization, Revamping Expansion

BMRE Phase-II commenced on March 20, 2007. It is progressing well. Significant maintenance and erection activities are in progress with over 4,000 personnel including 60 expatriate vendor servicemen on job. This project is expected to be completed as planned within two months, Insha Allah.



Balancing Modernization and Revamping of DAP Plant

DAP revamp project was initiated with completion target by the end 2007 for capacity enhancement from 100% to 151%. Basic engineering has already been completed, while detailed engineering is nearing completion. All out efforts are being made to accomplish the project by December 2007, in line with PMP's (Morocco) production.

Pakistan Maroc Phosphore S.A, Morocco (PMP)

The Project has entered into an advanced phase, whereby major civil works have been completed, approximately 96% orders have been placed and mechanical erection activities are in full swing. Despite high global demand and increase in the prices of equipment, the venture is expected to complete within the overall budget of 2,030 million Moroccan Dirhams. The project is expected to commence commercial operations in the fourth quarter of 2007, Insha Allah.



Foundation Power Company (Daharki) Limited (FPCDL)

The Company is investing an amount of Rs 1.5 billion in FPCDL, which is an independent 175 MW power plant, an associated company established by Fauji Foundation. National Electric Power Regulatory Authority (NEPRA) has approved a project cost of US\$ 196.472 million and determined levelized tariff of 7.24 cents / KWH with equity IRR of 15%, net of withholding tax on dividends.

Engineering, Procurement and Construction (EPC) Contract and Power Purchase Agreement (PPA) have been signed. Gas Supply Agreement (GSA) and Implementation Agreement (IA) shall be finalized in April 2007 and Financial Close by June 2007. The project is likely to commence commercial operations by mid 2009.

Rawalpini
April 19, 2007

Lt Gen Syed Arif Hasan, HI(M), (Retd)
Chairman

BALANCE SHEET (UN-AUDITED)
AS AT MARCH 31, 2007

05

	Note	March 31, 2007 (Rupees '000)	December 31, 2006
SHARE CAPITAL AND RESERVES			
Share capital		9,341,100	9,341,100
Capital reserve		228,350	228,350
Accumulated loss		(1,825,044)	(1,031,754)
		<u>7,744,406</u>	<u>8,537,696</u>
NON-CURRENT LIABILITIES			
Long term financing	5	1,355,067	1,459,304
Liabilities against assets subject to finance lease	6	2,285	3,310
Long term murabaha	7	125,704	135,373
Deferred tax	8	2,832,805	2,634,339
Long term loan	9	6,482,007	6,482,007
CURRENT LIABILITIES			
Trade and other payables		2,229,375	2,674,903
Mark - up accrued		128,099	104,952
Short term running finances		4,490,475	4,531,836
Current portion of:			
- Long term financing	5	416,944	416,944
- Liabilities against assets subject to finance lease	6	2,274	2,586
- Long term murabaha	7	38,679	38,679
- Long term loan	9	648,201	648,201
Sales tax payable		-	11,226
		<u>7,954,047</u>	<u>8,429,327</u>
CONTINGENCIES AND COMMITMENTS	10		
		<u>26,496,321</u>	<u>27,681,356</u>

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

	Note	March 31, 2007 (Rupees '000)	December 31, 2006
PROPERTY, PLANT AND EQUIPMENT	11	15,659,954	14,930,339
LONG TERM INVESTMENTS		1,411,150	1,411,150
LONG TERM DEPOSITS		16,991	17,273
CURRENT ASSETS			
Stores, spare parts and loose tools		966,723	797,314
Stock in trade		603,589	800,535
Trade debts		142,095	231,272
Advances		184,735	61,160
Trade deposits and short term prepayments		7,799	5,058
Interest accrued		62,964	91,218
Other receivables	12	1,458,947	1,346,867
Income and sales tax refundable		318,702	251,034
Investments at fair value through profit or loss		538,354	502,387
Bank balances		5,124,318	7,235,749
		9,408,226	11,322,594
		<u>26,496,321</u>	<u>27,681,356</u>



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2007

07

	Note	2007	2006
		(Rupees '000)	
Sales - net		3,034,054	2,694,335
Cost of sales	13	(2,113,831)	(1,936,291)
Gross profit		920,223	758,044
Distribution costs		(309,274)	(316,573)
Administrative expenses		(34,418)	(23,959)
		576,531	417,512
Finance cost		(144,583)	(98,783)
Other operating expenses		(45,248)	(22,923)
		386,700	295,806
Other income		186,115	137,442
Profit before taxation		572,815	433,248
Taxation		(198,467)	(155,929)
Profit after taxation		374,348	277,319
Basic earnings per share (Rupees)		0.40	0.30

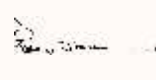
The annexed notes 1 to 16 form an integral part of these financial statements.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2007

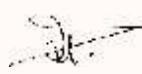
08

	Note	2007	2006
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	14	(48,511)	(1,056,758)
Income tax paid		(20,018)	(16,930)
Finance cost paid		(121,436)	(102,215)
Net cash used in operating activities		(189,965)	(1,175,903)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(977,064)	(400,181)
Sale proceeds of property, plant and equipment		19	9
Long term deposits		282	-
Profit received on bank balances		199,081	163,384
Net cash used in investing activities		(777,682)	(236,788)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - repayment		(104,237)	(104,237)
Principal portion of lease rentals paid		(1,337)	(1,389)
Long term murabaha - repayment		(9,669)	(9,669)
Dividend paid		(987,180)	(642,591)
Net cash used in financing activities		(1,102,423)	(757,886)
Net decrease in cash and cash equivalents		(2,070,070)	(2,170,577)
Cash and cash equivalents at the beginning of the quarter		2,703,913	4,694,966
Cash and cash equivalents at the end of the quarter		<u>633,843</u>	<u>2,524,389</u>
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:			
- Bank balances		5,124,318	4,443,189
- Short term running finances		(4,490,475)	(1,918,800)
		<u>633,843</u>	<u>2,524,389</u>

The annexed notes 1 to 16 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, 2007**

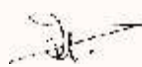
09

	Share Capital	Capital reserve	Accumulated loss	Total
	(Rupees '000)			
Balance at January 01, 2006	9,341,100	228,350	(1,841,919)	7,727,531
Final dividend for the year 2005 (Re 0.5 per ordinary share)	-	-	(467,055)	(467,055)
Net profit for the quarter ended March 31, 2006	-	-	277,319	277,319
Balance at March 31, 2006	9,341,100	228,350	(2,031,655)	7,537,795
First interim dividend for the year 2006 (Re 0.5 per ordinary share)	-	-	(467,055)	(467,055)
Second interim dividend for the year 2006 (Re 0.75 per ordinary share)	-	-	(700,583)	(700,583)
Net profit for the nine months ended December 31, 2006	-	-	2,167,539	2,167,539
Balance at December 31, 2006	9,341,100	228,350	(1,031,754)	8,537,696
Final dividend for the year 2006 (Rs 1.25 per ordinary share)	-	-	(1,167,638)	(1,167,638)
Net profit for the quarter ended March 31, 2007	-	-	374,348	374,348
Balance at March 31, 2007	<u>9,341,100</u>	<u>228,350</u>	<u>(1,825,044)</u>	<u>7,744,406</u>

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



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR

**NOTES TO THE ACCOUNTS (UN-AUDITED)
FOR THE QUARTER ENDED MARCH 31, 2007**

10

1. 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 including investment in fertilizer raw material manufacturing operations. The Company commenced its commercial production effective January 1, 2000.
2. 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.
3. 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, 2006.

4. Status of significant shareholding as at March 31, 2007 is given below:

	Shares	Percentage
Fauji Fertilizer Company Limited	475,232,996	50.88
Fauji Foundation	161,501,286	17.29
	March 31, 2007	December 31, 2006
	(Rupees '000)	

5. **LONG TERM FINANCING - SECURED**

From banking companies and financial institutions

Habib Bank Limited	551,631	584,080
Standard Chartered Bank	315,435	333,990
M C B Bank Limited	543,788	575,777
Askari Commercial Bank Limited	121,429	128,571
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Limited	45,442	48,116
	<u>1,577,725</u>	<u>1,670,534</u>

From associated undertaking

Pak Kuwait Investment Company (Pvt) Limited	194,286	205,714
	<u>1,772,011</u>	<u>1,876,248</u>
Less : Current portion shown under current liabilities	416,944	416,944
	<u>1,355,067</u>	<u>1,459,304</u>

6. **LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

Present value of minimum lease payments	4,559	5,896
Less: Current portion shown under current liabilities	2,274	2,586
	<u>2,285</u>	<u>3,310</u>

7. **LONG TERM MURABAHA - SECURED**

Faysal Bank Limited	164,383	174,052
Less : Current portion shown under current liabilities	38,679	38,679
	<u>125,704</u>	<u>135,373</u>

	March 31, 2007	December 31, 2006
	(Rupees '000)	
8. DEFERRED TAX LIABILITY		
The balance of deferred tax is in respect of the following major temporary differences:		
Accelerated depreciation	2,854,639	2,656,641
Provision against doubtful advances / receivables	(18,734)	(18,734)
Provision for inventory obsolescence	(1,504)	(1,504)
Liabilities against assets subject to finance lease	(1,596)	(2,064)
	<u>2,832,805</u>	<u>2,634,339</u>
9. LONG TERM LOAN - UNSECURED		
Government of Pakistan loan	4,860,646	4,860,646
Deferred Government Assistance	2,269,562	2,269,562
	<u>7,130,208</u>	<u>7,130,208</u>
Less: Current portion shown under current liabilities	648,201	648,201
	<u>6,482,007</u>	<u>6,482,007</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	36,168	28,469
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	50,727	50,727
iv) Claim by a supplier, not acknowledged as debt by the Company	12,198	12,198
Commitments		
i) Capital expenditure	929,233	1,296,862
ii) Letters of credit for purchase of stores, spares and raw materials	216,068	316,948
11. PROPERTY, PLANT AND EQUIPMENT		
Opening written down value	14,930,339	14,563,103
Additions	977,064	1,358,324
Disposals	(44)	(6,796)
Depreciation	(247,431)	(990,138)
Depreciation on disposed off items	26	5,846
Closing written down value	<u>15,659,954</u>	<u>14,930,339</u>
12. OTHER RECEIVABLES		
Other receivables includes Rs 1,298 million from GOP on account of DAP subsidy provided to farmers through fertilizer Companies.		

	For the quarter ended March 31,	
	2007	2006
	(Rupees '000)	
13. COST OF SALES		
Raw materials consumed	1,908,321	1,583,516
Packing materials consumed	78,768	66,038
Fuel and power	286,568	262,122
Chemicals and supplies	16,521	14,355
Salaries, wages and benefits	132,569	88,921
Rent, rates and taxes	5,615	5,312
Insurance	11,200	11,777
Travel and conveyance	7,969	5,865
Repairs and maintenance	192,187	92,802
Communication, establishment and others	5,309	6,185
Depreciation	246,560	234,365
Opening stock -work in process	4,801	1,504
Closing stock -work in process	(4,405)	(2,212)
Subsidy on DAP fertilizer from Government of Pakistan	(597,010)	-
Cost of goods manufactured	2,294,973	2,370,550
Opening stock -own manufactured fertilizers	99,322	398,723
Closing stock -own manufactured fertilizers	(291,202)	(1,096,396)
Cost of sales - own manufactured fertilizers	2,103,093	1,672,877
Opening stock -purchased fertilizer	139,885	3,215
Goods imported for resale	-	261,677
Closing stock -purchased fertilizer	(129,147)	(1,478)
Cost of sales - purchased fertilizer	10,738	263,414
	<u>2,113,831</u>	<u>1,936,291</u>
14. CASH GENERATED FROM OPERATIONS		
Profit from ordinary activities before taxation	572,815	433,248
Adjustment for:		
Depreciation	247,431	235,065
Provision for gratuity	3,474	2,976
Profit on bank balances	(170,827)	(135,495)
Surplus on remeasurement of investments to fair value through profit or loss	(35,967)	-
Finance cost	144,583	98,783
Gain on sale of property, plant and equipment	(2)	(7)
Operating profit before working capital changes	<u>761,507</u>	<u>634,570</u>
Changes in working capital net	<u>(810,018)</u>	<u>(1,691,328)</u>
Cash used in operations	<u>(48,511)</u>	<u>(1,056,758)</u>

	For the quarter ended March 31,	
	2007	2006
	(Rupees '000)	
15. TRANSACTION WITH / BALANCES OF RELATED PARTIES		
Transaction with the holding Company		
Services and material acquired	68,345	52,248
Services and material provided	-	1,259
Commission charged to the Company	4,575	4,487
Dividend paid	564,339	225,736
Balance receivable - unsecured	133,463	375,022 *
Transaction with associated undertakings due to common directorship		
Goods sold	482	301
Rent charged to the Company	186	186
Dividend paid	196,629	76,951
Repayment of principal portion of long term finance	11,429	11,429
Financial charges	4,314	5,202
Balance receivable - unsecured	1,350	1,265 *
Balance payable - secured	194,286	205,714 *
Balance payable - unsecured	4,314	4,669 *
Transaction with joint venture company		
Expenses incurred on behalf of joint venture company	2,222	2,460
Other related parties		
Purchase of raw materials	1,226,466	1,198,735
Contribution to Provident Fund	3,166	2,808
Contribution to Gratuity Fund	3,474	2,963
Remuneration including benefits and perquisites of Chief Executive Officer and executives.		
No of persons 2007 : 1 and 89. (2006 : 1 and 66)	91,337	58,876
Payment to Workers' profit participation fund	14,973	9,206
Balance payable - secured	804,637	1,126,636 *
Balance payable - unsecured	30,896	14,973 *

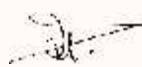
* Balance of accounts appearing as comparatives are as at December 31, 2006.

16. General

- 16.1 Figures have been rounded off to the nearest thousand rupees.
 16.2 Corresponding figures have been re-arranged/restated, wherever necessary, for the purpose of comparison.
 16.3 These financial statements were authorized for issue by the Board of Directors on April 19, 2007.



CHAIRMAN



CHIEF EXECUTIVE



DIRECTOR