



Quarterly Financial Statements
September 30, 2004 (Un-Audited)



FAUJI FERTILIZER COMPANY LIMITED

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

Brig Aftab Ahmed, SI(M) (Retired)

Brig Ghazanfar Ali, SI(M) (Retired)

Syed Zaheer Ali Shah

Mr Khawar Saeed

Dr Nadeem Inayat

Mr Nadir Rahman

Secretary

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

Registered Office

93-Harley Street, Rawalpindi Cantt.

Website: www.ffc.com.pk

E-mail: ffcrwp@ffc.com.pk

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

M/s Taseer Hadi Khalid & Co.,
Chartered Accountants

Directors' Review

Dear Members,

The Board of Directors of Fauji Fertilizer Company Limited takes pleasure in presenting the un-audited quarterly financial statements of FFC and consolidated financial statements of the Company and its subsidiary Fauji Fertilizer Bin Qasim Limited - FFBL (formerly FFC – Jordan Fertilizer Company Limited), for the quarter and nine months ended September 30, 2004.

FFBL has declared interim dividend of 10% for the first time since inception of the company. FFC's share amounted to Rs. 475.23 million which has been incorporated in these financial statements. This dividend, combined with better results achieved by FFC enabled the Company's profits to surpass Rs. 3 billion for the nine months which is an all time record. The Board is therefore pleased to approve a third interim dividend of 40% (Rupees 4 per share) by appropriating Rs. 1.18 billion from the profits.

The quarter under review augmented the performance of a strong first half with record above expectation results. The Company sold 655 thousand tonnes of Sona urea during the quarter with an improvement of 34% over the sales volume for the third quarter of 2003 while the total sale of 1,690 thousand tonnes during the nine months grew by 23%. This represented 105% of production compared to 87% sold during the corresponding period last year. Cumulative all product gross profit rose by 21% over the same period last year leveraged by concerted increase in marketing efforts. Dividend income from FFBL and the reduction in financing and marketing costs further enhanced the cumulative all product net profit by 59% over the same period last year.

The members of the Company approved the first ever 15% bonus dividend in their meeting held on August 31, 2004, consequent to which, the authorized capital of the Company stands almost fully subscribed. The members, therefore, further approved the Board's proposal to increase the authorised capital of the Company to Rs. 5 billion for future requirements.

The earning per share of Rs. 10.49 was Rs. 3.89 higher than the earning in 2003 despite increase in the paid up capital due to issue of bonus shares @ 15%. The reduction effects of bonus issue on earnings for the period and for the quarter are Rs. 1.57 and Rs. 0.78 respectively.

The increased urea offtake resulted in revenues of Rs. 12.92 billion for nine months which are 30% in excess of the corresponding period last year, thus reducing the closing stock by 85% from the stock at the end of the period last year. The corresponding reduction in inventory of the industry was 75%. The Company continued its programs focused on cultivation technologies and farmers meetings on importance of soil and water analyses, fertilizer and pest management, significance of seed bed preparation and balanced nutrition.

The Company also marketed 408 thousand tonnes of Sona Granular on behalf of its subsidiary. The total industry urea offtake was 3,256 thousand tonnes of which FFC's market share was 64% as compared to 59% during the corresponding period last year. The demand for Urea fuelled a growth of 11% over last year stimulated by attractive commodity prices.

To meet the increase in demand, de-bottlenecking of our base and acquisition units is being evaluated for increasing production. The annual maintenance turnaround of our acquisition unit scheduled in September 2004 has also been deferred to March 2005, after careful technical review of efficiency maintained during the period. The Rabi season is expected to face water shortage due to insufficient rains.

During the nine months, the Company produced 1,613 thousand tonnes of urea which is almost 2% in excess of production during the corresponding period of last year, whereas, the industry urea production of 3,228 thousand tonnes dipped by 2% due to maintenance turnarounds of urea plants. Tapping the potential of our acquisition unit has materialized in sustained growth with production levels touching 177 thousand tonnes during the quarter and 540 thousand tonnes during the period which are 8% and 20% respectively above the production during the corresponding periods of last year. The Company was able to achieve its targets for its base and expansion units during the period which included annual maintenance turnarounds of the two units and is confident that performance for the remainder of the year would also be according to plan.

Domestic DAP sales during the period aggregated to 323 thousand tonnes including 273 thousand tonnes of indigenous FFBL production and represented an increase of 77% over the corresponding period last year. The industry DAP offtake stood at 600 thousand tonnes of which 54% was represented by Company sales. The

industry registered an improvement of 40% over the same period last year but closed the period with 64% higher inventory of 345 thousand tonnes as compared to the same period last year. For continuous supply of phosphoric acid to the subsidiary company FFBL, a joint venture is being setup in Morocco. The Board of Directors has approved investment of 12.5% equity interest (approximately US\$ 10 million) in the proposed joint venture.

The members in their meeting on August 31 resolved to transmit the Company's quarterly financial statements through the Company website www.ffc.com.pk, as allowed vide SECP circular No. 19 of 2004. Members desirous of obtaining hard copies would also be provided printed reports within seven days of demand.

With the encouraging results for the nine months, we are optimistic about the Company's prospects for the year.

On behalf of the Board



CHAIRMAN

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

Rawalpindi
October 27, 2004

Balance Sheet

	Note	September 30, 2004	December 31, 2003
(Rupees '000)			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised	4	5,000,000	3,000,000
Issued, subscribed and fully paid	4	2,949,703	2,564,959
Capital reserve		160,000	160,000
Revenue reserves	5	8,275,656	8,797,753
		11,385,359	11,522,712
REDEEMABLE CAPITAL	6	2,824,654	3,730,650
LONG TERM LOANS	7	500,870	784,570
DEFERRED TAXATION		2,430,000	2,522,000
CURRENT LIABILITIES AND PROVISIONS			
Current maturity			
Redeemable capital		1,528,873	827,263
Long term loans		1,011,031	704,821
Short term finances	8	2,058,108	2,972,333
Creditors, accrued and other liabilities		2,244,256	2,606,854
Taxation		43,740	329,910
Dividend payable		—	833,612
Proposed dividend		1,179,881	384,743
		8,065,889	8,659,536
CONTINGENCIES AND COMMITMENTS	9		
		25,206,772	27,219,468

The annexed notes 1 to 19 form an integral part of these financial statements.

As At September 30, 2004 (Un-Audited)

	Note	September 30, 2004	December 31, 2003
(Rupees '000)			
FIXED CAPITAL EXPENDITURE			
Fixed assets	10	8,791,550	8,996,278
Capital work in progress		270,700	140,259
		9,062,250	9,136,537
GOODWILL		1,804,617	1,883,079
LONG TERM INVESTMENTS	11	5,685,684	7,083,151
LONG TERM LOANS AND ADVANCES		65,943	63,920
LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS		111,802	125,511
CURRENT ASSETS			
Stores and spares		1,725,637	1,686,980
Stock in trade		341,101	681,297
Trade debts		1,956,258	1,876,381
Loans, advances, deposits, prepayments and other receivables		1,214,821	647,619
Short term investments	12	2,374,597	2,200,845
Cash and bank balances		864,062	1,834,148
		8,476,476	8,927,270
		25,206,772	27,219,468


Chairman


Chief Executive


Director

Profit and Loss Account

for the period ended September 30, 2004 (Un-Audited)

Note	For the quarter ended		For the period ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
	(Rupees '000)			
Sales	5,802,191	4,730,236	13,874,747	12,504,447
Cost of goods sold	3,514,294	3,008,916	8,160,140	7,772,579
GROSS PROFIT	2,287,897	1,721,320	5,714,607	4,731,868
Selling and distribution expenses	347,611	401,366	1,126,090	1,242,070
PROFIT FROM OPERATIONS	1,940,286	1,319,954	4,588,517	3,489,798
Financial charges	113,896	98,266	264,973	446,277
Other income	1,826,390	1,221,688	4,323,544	3,043,521
	580,064	128,327	794,673	348,961
Other charges	2,406,454	1,350,015	5,118,217	3,392,482
	184,980	118,951	426,721	318,809
NET PROFIT BEFORE TAXATION	2,221,474	1,231,064	4,691,496	3,073,673
Provision for taxation	690,000	452,000	1,597,000	1,128,000
NET PROFIT AFTER TAXATION	1,531,474	779,064	3,094,496	1,945,673
Unappropriated profit brought forward	24,063	38,208	197,753	218,203
Transfer from general reserve	-	-	700,000	-
	24,063	38,208	897,753	218,203
	1,555,537	817,272	3,992,249	2,163,876
APPROPRIATIONS:				
Dividends:				
First interim Rs. 3.25 (2003: Rs. 3) per share	-	-	833,612	769,488
Second interim Rs. 4.75 (2003: Rs. 2.25) per share	-	-	1,218,356	577,116
Transfer to reserve for issue of bonus shares	-	-	384,744	-
Third interim Rs. 4.00 (2003: Nil) per share	1,179,881	-	1,179,881	-
	1,179,881	-	3,616,593	1,346,604
UNAPPROPRIATED PROFIT CARRIED FORWARD	375,656	817,272	375,656	817,272
Earnings per share - basic and diluted (Rupees)	5.19	2.64	10.49	6.60

The annexed notes 1 to 19 form an integral part of these financial statements.


Chairman


Chief Executive


Director

Cash Flow Statement

for the period ended September 30, 2004 (Un-Audited)

Note	September 30, 2004	September 30, 2003
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	4,465,891	86,978
Payments for:		
Financial charges	(276,210)	(471,388)
Income tax	(1,975,170)	(2,066,480)
Net cash generated from / (used in) operating activities	2,214,511	(2,450,890)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(387,498)	(221,176)
Sale proceeds of fixed assets	19,284	9,102
Income received on loans, deposits and investments	272,420	375,119
Decrease in investments	55,875	2,714,969
Advance against investment	-	(750,000)
Net cash (used in)/ generated from investing activities	(39,919)	2,128,014
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital - disbursements	-	1,000,000
- repayments	(204,386)	(1,700,340)
Long term loans - disbursements	-	205,910
- repayments	(870)	(223,212)
(Decrease)/increase in short term finances	(914,225)	1,770,420
Dividends paid	(3,231,143)	(1,922,460)
Net cash used in financing activities	(4,350,624)	(869,682)
Net decrease in cash and cash equivalents	(2,176,032)	(1,192,558)
Cash and cash equivalents at beginning of the period	3,039,894	1,894,680
Effect of exchange rate changes	200	(125)
Cash and cash equivalents at close of the period		
representing cash and bank balances	864,062	701,997

The annexed notes 1 to 19 form an integral part of these financial statements.


Chairman


Chief Executive


Director

Statement of Changes In Equity

for the period ended September 30, 2004 (Un-Audited)

	Share capital	Capital reserves	Reserve for issue of bonus shares	General reserve	Fair value adjustment	Unappropriated profit	Total
	(Rupees '000)						
Balance at January 01, 2003	2,564,959	160,000	-	8,000,000	(180,105)	218,203	10,763,057
Net profit for the period ended September 30, 2003	-	-	-	-	-	1,945,673	1,945,673
Adjustment arising from remeasurement to fair value of investment in associated company	-	-	-	-	2,861,666	-	2,861,666
Dividends	-	-	-	-	-	(1,346,604)	(1,346,604)
Balance at September 30, 2003 as previously stated	2,564,959	160,000	-	8,000,000	2,681,561	817,272	14,223,792
Reversal of fair value adjustment due to restatement of investment in subsidiary at cost	-	-	-	-	(2,681,561)	-	(2,681,561)
Restated balance at September 30, 2003	2,564,959	160,000	-	8,000,000	-	817,272	11,542,231
Balance at January 01, 2004	2,564,959	160,000	-	8,600,000	-	197,753	11,522,712
Net profit for the period ended September 30, 2004	-	-	-	-	-	3,094,496	3,094,496
Transfer from general reserve	-	-	384,744	(700,000)	-	315,256	-
Bonus shares issued	384,744	-	(384,744)	-	-	-	-
Dividends	-	-	-	-	-	(3,231,849)	(3,231,849)
Balance at September 30, 2004	2,949,703	160,000	-	7,900,000	-	375,656	11,385,359


The annexed notes 1 to 19 form an integral part of these financial statements.



Chairman



Chief Executive



Director

Notes to the Financial Statements

for the period ended September 30, 2004 (Un-Audited)

- 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 stock exchanges in Pakistan. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers, including investment in other fertilizer manufacturing operations.
- These financial statements 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.
- 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.

Note	September 30, 2004	December 31, 2003
	(Rupees '000)	
4. SHARE CAPITAL		
AUTHORISED		
500,000,000 (2003: 300,000,000) ordinary shares of Rs.10 each.	5,000,000	3,000,000
ISSUED, SUBSCRIBED AND FULLY PAID		
256,495,902 Ordinary shares of Rs 10 each fully paid in cash.	2,564,959	2,564,959
38,474,385 Ordinary shares of Rs.10 each issued as fully paid bonus shares.	384,744	-
	<u>2,949,703</u>	<u>2,564,959</u>
5. REVENUE RESERVES		
General reserve	7,900,000	8,600,000
Unappropriated profit	375,656	197,753
	<u>8,275,656</u>	<u>8,797,753</u>
6. REDEEMABLE CAPITAL - Secured (non participatory)		
Long term finances utilized under mark-up arrangements	3,504,167	3,608,333
Term Finance Certificates	849,360	949,580
	<u>4,353,527</u>	<u>4,557,913</u>
Less: Current portion shown under current liabilities	1,528,873	827,263
	<u>2,824,654</u>	<u>3,730,650</u>
6.1 Movement in this account during the period/year is as follows:		
Opening balance	4,557,913	4,799,960
Disbursements during the period/year	-	1,500,000
Repayments during the period/year	(204,386)	(1,742,047)
Closing balance	<u>4,353,527</u>	<u>4,557,913</u>

Notes to the Financial Statements

for the period ended September 30, 2004 (Un-Audited)

Note	September 30, 2004	December 31, 2003
	(Rupees '000)	
7. LONG TERM LOANS - Secured		
Government of Pakistan loan - Base unit	2,611	3,481
Local currency loan - PSFL acquisition	1,509,290	1,485,910
7.1	1,511,901	1,489,391
Less: Amount payable within twelve months shown as current maturity	1,011,031	704,821
	500,870	784,570
7.1 Movement in this account during the period/year is as follows:		
Opening balance	1,489,391	1,821,526
Exchange rate variations/disbursements during the period/year	23,380	205,910
Repayments during the period/year	(870)	(224,083)
Fair value adjustment of Foreign Exchange Risk Insurance Contract	—	(313,962)
Closing balance	1,511,901	1,489,391
8. SHORT TERM FINANCES - Secured		
Short term loans	1,230,000	600,000
Short term running finances	251,000	—
Short term import credits	577,108	2,372,333
	2,058,108	2,972,333
9. CONTINGENCIES AND COMMITMENTS		
(a) Contingencies		
i) Guarantees issued by banks on behalf of the Company	17,370	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.	66,000	310,000
v) Claims against the Company and/ or potential exposure not acknowledged as debt.	62,776	48,345
(b) Commitments in respect of:		
i) Capital expenditure	579,237	507,886
ii) Purchase of fertilizer, stores, spares and other revenue items.	224,109	182,266
iii) Rentals under lease agreements:		
Premises	101,151	132,810
Vehicles	267,207	195,909

Notes to the Financial Statements

for the period ended September 30, 2004 (Un-Audited)

Note	September 30, 2004	December 31, 2003
	(Rupees '000)	
10. FIXED ASSETS		
Opening written down value	8,996,278	9,378,161
Additions	257,057	383,994
Written down value of disposals	(4,050)	(4,222)
Depreciation	(457,735)	(761,655)
Closing written down value	8,791,550	8,996,278
11. LONG TERM INVESTMENTS		
Investment in subsidiary - at cost		
Fauji Fertilizer Bin Qasim Limited (FFBL)	11.1	4,752,330
Reversal of fair value adjustment due to restatement of investment at cost	—	180,105
	4,752,330	4,752,330
Investments available for sale		
Term deposits	241,867	250,218
Government of Pakistan Special US Dollar Bonds	1,172,917	1,138,202
National Savings Certificates	500,000	1,000,000
	1,914,784	2,388,420
Investments held to maturity		
Pakistan Investment Bonds	700,000	700,000
Term Finance Certificates	90,670	148,380
	790,670	848,380
	7,457,784	7,989,130
Less: Maturing within twelve months shown under current assets -		
Term deposits	8,513	76,746
Government of Pakistan Special US Dollar Bonds	1,172,917	201,208
National Savings Certificates	500,000	500,000
Term Finance Certificates	90,670	128,025
12	1,772,100	905,979
	5,685,684	7,083,151
11.1 The Company had increased its holding in FFBL to 52.23% during 2003. Pursuant to the decision to treat FFBL as a subsidiary from January 01, 2003, the comparatives have been restated accordingly.		
The Company's holding in FFBL at the period end was 50.87% (2003: 52.23%). The dilution in holding is due to the additional shares issued by FFBL during the period.		
	September 30, 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)	500,000	1,200,000
Foreign currency	102,497	94,866
Current maturity of long term investments	1,772,100	905,979
	2,374,597	2,200,845

Notes to the Financial Statements

for the period ended September 30, 2004 (Un-Audited)

	For the quarter ended		For the period ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
	(Rupees '000)			
13. COST OF GOODS SOLD				
Raw materials consumed	1,054,082	935,376	2,922,109	2,491,084
Fuel and power	655,935	608,473	1,811,622	1,714,752
Chemicals and supplies	26,232	31,580	82,391	83,646
Salaries, wages and benefits	276,953	244,321	833,723	731,018
Rent, rates and taxes	2,724	3,477	7,501	8,112
Insurance	23,128	19,807	70,177	61,041
Travel and conveyance	21,440	16,241	56,017	51,613
Repairs and maintenance	95,136	66,455	386,188	435,629
Amortisation of deferred costs	11,751	17,595	45,061	52,540
Depreciation	154,470	150,315	446,886	586,515
Communication, establishment and other expenses	92,301	67,230	240,334	214,944
Provision for slow moving and surplus spares	24,329	—	44,329	10,103
Opening stock- work in process	16,496	22,034	21,410	12,312
Closing stock - work in process	(9,307)	(20,574)	(9,307)	(20,574)
Cost of goods manufactured	2,445,670	2,162,330	6,958,441	6,432,735
Opening stock - manufactured urea	705,428	1,140,509	542,435	365,250
- purchased fertilizers	629,207	970,237	102,702	223,821
Purchase of fertilizers for resale	1,097	795,251	823,670	2,810,184
	3,781,402	5,068,327	8,427,248	9,831,990
Closing stock - manufactured urea	(193,192)	(1,307,228)	(193,192)	(1,307,228)
- purchased fertilizers	(73,916)	(752,183)	(73,916)	(752,183)
	3,514,294	3,008,916	8,160,140	7,772,579
14. OTHER INCOME				
Income on loans, deposits and investments	71,780	68,297	243,221	281,873
Income on tax exempt investments	13,769	8,870	32,820	26,322
Commission on sale of FFBL products	6,623	3,275	13,611	7,656
Gain on sale of fixed assets	4,875	32,724	15,234	7,876
Dividend income from FFBL 14.1	475,233	—	475,233	—
Others	7,784	15,161	14,554	25,234
	580,064	128,327	794,673	348,961
14.1 Dividend income recognised on accrual basis.				
15. EARNINGS PER SHARE				
There is no dilutive effect on the basic earnings per share of the Company which is based on:				
Profit after taxation	1,531,474	779,064	3,094,496	1,945,673
Weighted average number of ordinary shares ('000')	294,970	294,970	294,970	294,970

Number of shares outstanding in the comparatives have been restated for the effect of bonus shares issued during the period.

Notes to the Financial Statements

for the period ended September 30, 2004 (Un-Audited)

	September 30, 2004	September 30, 2003
	(Rupees '000)	
16. CASH GENERATED FROM OPERATIONS		
Profit before taxation	4,691,496	3,073,673
Adjustments for:		
Depreciation (net of Rs. 3,191 thousand charged to FFBL: 2003: Rs 1,975 thousand)	454,544	592,844
Amortization of goodwill	78,462	78,462
Amortization of deferred costs	45,061	52,540
Provision for slow moving and surplus spares	44,329	10,103
Financial charges	264,973	446,277
Income on loans, deposits and investments	(278,209)	(310,872)
Gain on sale of fixed assets	(15,234)	(7,876)
Exchange loss/(gain)	4,385	(15,792)
	598,311	845,686
	5,289,807	3,919,359
Increase in stores and spares	(82,986)	(136,304)
Decrease/(Increase) in stock in trade	340,196	(1,469,133)
Increase in trade debts	(79,876)	(1,107,529)
Increase in loans, advances, deposits, prepayments and other receivables	(561,413)	(49,956)
Decrease in creditors, accrued and other liabilities (excluding accrual of financial charges)	(406,461)	(1,049,214)
Increase in long term loans and advances	(2,023)	(13,863)
Increase in long term deposits, prepayments and deferred costs	(31,353)	(6,382)
	(823,916)	(3,832,381)
	4,465,891	86,978
17. FACILITIES OF LETTERS OF GUARANTEE AND LETTERS OF CREDIT		
Facilities of letters of guarantee and letters of credit amounting to Rs 20,000 thousand and Rs 2,125,000 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.		

Notes to the Financial Statements
for the period ended September 30, 2004 (Un-Audited)

	September 30, 2004	September 30, 2003
	(Rupees '000)	
18. TRANSACTIONS WITH RELATED PARTIES		
Fauji Foundation		
Office rent	1,800	1,800
Sale of fertilizer	4,374	27,262
Medical services	41	12
Fauji Fertilizer Bin Qasim Limited (FFBL)		
Marketing of fertilizer on behalf of FFBL under sale on consignment basis	143,972	81,195
Commission on sale of FFBL products	13,611	7,656
Services and materials provided	4,136	2,365
Services and materials received	1,000	3,588
Advance against issue of shares	–	750,000
Mari Gas Company Limited		
Purchase of gas as feed and fuel stock	4,334,699	3,885,511
Haldor Topsoe A/s, Denmark		
Technical services received	10,440	10,440
Payment to Employees' Provident Fund Trust	72,709	63,759
Payment to Employees' Gratuity Fund Trust	29,021	25,932
Payment to Employees' Pension Fund Trust	29,627	23,207

19. GENERAL

- 19.1** Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 19.2** Corresponding figures have been re-arranged, where necessary, for the purpose of comparison.
- 19.3** These financial statements were authorised for issue by the Board of Directors of the Company on October 27, 2004.


Chairman


Chief Executive


Director

FFC

**Consolidated
Financial
Statements**

1201.22 2544.23
1828.00 7029.74 1925.28
2211.04 2856.07 1841.45
1642.22 1287.42 6226.55
3058.20 2740.93 1274.25
3520.04 2468.39 3587.35
2050.78 3098.73 3957.35
2749.57 4639.75 4847.55

PARIS
NEW YORK
LONDON
SINGAPORE
ZURICH
TOKYO

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735628587346586
283276798237465
65656232222222
772567347654662
980921646416016

Consolidated Balance Sheet

	Note	September 30, 2004	December 31, 2003
(Rupees '000)			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised	4	5,000,000	3,000,000
Issued, subscribed and fully paid	4	2,949,703	2,564,959
Capital reserves		279,267	279,267
Revenue reserves	5	6,737,538	7,063,827
		9,966,508	9,908,053
MINORITY INTEREST		3,762,219	2,869,903
REDEEMABLE CAPITAL	6	5,444,482	6,806,102
LONG TERM LOANS AND DEFERRED GOVERNMENT ASSISTANCE	7	8,279,279	9,211,180
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	8	14,422	19,875
DEFERRED TAX LIABILITY		2,430,000	2,522,000
CURRENT LIABILITIES AND PROVISIONS			
Current maturity			
Redeemable capital		1,984,496	941,169
Long term loans and deferred Government assistance		1,659,232	1,353,022
Liabilities against assets subject to finance lease	8	6,004	7,506
Short term finances	9	2,081,082	3,109,466
Creditors, accrued and other liabilities		3,638,052	3,348,158
Taxation		51,502	329,910
Dividend payable		–	833,612
Proposed dividend		1,179,881	384,743
		10,600,249	10,307,586
CONTINGENCIES AND COMMITMENTS	10	40,497,159	41,644,699

The annexed notes 1 to 19 form an integral part of these consolidated financial statements.

As At September 30, 2004 (Un-Audited)

	Note	September 30, 2004	December 31, 2003
(Rupees '000)			
FIXED CAPITAL EXPENDITURE			
Fixed assets	11	23,410,392	24,167,407
Capital work in progress		275,255	146,348
		23,685,647	24,313,755
INTANGIBLE ASSETS		1,810,538	1,906,765
LONG TERM INVESTMENTS	12	933,354	2,330,821
LONG TERM LOANS AND ADVANCES		65,943	63,920
LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS		144,734	152,359
DEFERRED TAX ASSET		374,576	1,160,688
CURRENT ASSETS			
Stores and spares		2,226,679	2,142,895
Stock in trade		1,010,012	890,808
Trade debts		2,502,153	2,268,758
Loans, advances, deposits, prepayments and other receivables		946,376	760,205
Short term investments	13	2,374,597	2,200,845
Cash and bank balances		4,422,550	3,452,880
		13,482,367	11,716,391
		40,497,159	41,644,699


Chairman


Chief Executive


Director

Consolidated Profit and Loss Account

for the period ended September 30, 2004 (Un-Audited)

Note	For the quarter ended		For the period ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
(Rupees '000)				
Sales	10,049,625	5,908,078	21,801,242	15,258,720
Cost of goods sold	14 6,555,036	3,878,049	13,840,768	9,945,999
GROSS PROFIT	3,494,589	2,030,029	7,960,474	5,312,721
Selling, distribution and administrative expenses	648,056	546,815	1,831,730	1,630,848
PROFIT FROM OPERATIONS	2,846,533	1,483,214	6,128,744	3,681,873
Financial charges	134,108	126,890	322,468	581,632
Other income	2,712,425	1,356,324	5,806,276	3,100,241
	129,222	139,079	368,449	368,716
Other charges	2,841,647	1,495,403	6,174,725	3,468,957
	230,672	122,932	503,821	323,060
NET PROFIT BEFORE TAXATION	2,610,975	1,372,471	5,670,904	3,145,897
Provision for taxation	1,066,494	457,873	2,185,370	799,887
NET PROFIT AFTER TAXATION AND ORDINARY ACTIVITIES	1,544,481	914,598	3,485,534	2,346,010
Extraordinary items				
Compensation from GOP (Net of tax Rs 245,000 thousand)	-	-	455,000	455,000
NET PROFIT AFTER EXTRAORDINARY ITEM	1,544,481	914,598	3,940,534	2,801,010
Minority Interest in profit of consolidated subsidiary	243,638	64,745	650,230	408,595
NET PROFIT AFTER TAXATION AND MINORITY INTEREST	1,300,843	849,853	3,290,304	2,392,415
Unappropriated profit brought forward	1,077,713	414,161	824,964	218,203
Transfer from general reserve	-	-	700,000	-
	1,077,713	414,161	1,524,964	218,203
	2,378,556	1,264,014	4,815,268	2,610,618
APPROPRIATIONS:				
Dividends :				
First interim Rs. 3.25 (2003: Rs 3) per share	-	-	833,612	769,488
Second interim Rs. 4.75 (2003: Rs 2.25) per share	-	-	1,218,356	577,116
Transfer to reserve for issue of bonus shares	-	-	384,744	-
Third interim Rs. 4.00 (2003: Rs. Nil) per share	1,179,881	-	1,179,881	-
	1,179,881	-	3,616,593	1,346,604
UNAPPROPRIATED PROFIT CARRIED FORWARD	1,198,675	1,264,014	1,198,675	1,264,014
Earnings per share -basic and diluted (Rupees)	15 4.41	2.88	11.15	8.11

The annexed notes 1 to 19 form an integral part of these consolidated financial statements.


Chairman


Chief Executive


Director

Consolidated Cash Flow Statement

for the period ended September 30, 2004 (Un-Audited)

Note	September 30, 2004	September 30, 2003
(Rupees '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	16 6,519,138	874,180
Payments for:		
Financial charges	(318,512)	(563,493)
Income tax	(2,011,533)	(2,079,334)
Gratuity fund	-	(16,206)
Cash flows before extraordinary item	(2,330,045)	(2,659,033)
Compensation received from GOP- net	51,800	51,800
Net cash generated from/(used in) operating activities	4,240,893	(1,733,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(527,174)	(414,295)
Sale proceeds of fixed assets	21,872	9,529
Income received on loans, deposits and investments	315,817	386,206
Decrease in investments	55,875	2,714,969
Net cash (used in)/available from investing activities	(133,610)	2,696,409
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of right shares	242,086	-
Advance against issue of share capital	-	225,000
Redeemable capital - disbursements	-	1,000,000
- repayments	(318,293)	(1,743,537)
Long term loans - disbursements	-	205,910
- repayments	(870)	(261,113)
Payment of Finance lease rentals	(6,955)	(3,612)
(Decrease)/increase in short term finances	(1,028,384)	1,667,565
Dividends paid	(3,231,143)	(1,922,460)
Net cash used in financing activities	(4,343,559)	(832,247)
Net (decrease)/increase in cash and cash equivalents	(236,276)	131,109
Cash and cash equivalents at beginning of the period	4,658,626	2,093,972
Effect of exchange rate changes	200	(125)
Cash and cash equivalents at close of the period representing cash and bank balances	4,422,550	2,224,956

The annexed notes 1 to 19 form an integral part of these consolidated financial statements.


Chairman


Chief Executive


Director

Consolidated Statement of Changes In Equity

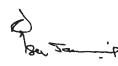
for the period ended September 30, 2004 (Un-Audited)

	Share capital	Capital reserves	Reserve for issue of bonus shares	General reserve	Fair value adjustment	Unappropriated loss of subsidiary brought forward	Unappropriated profit	Total
	(Rupees ' 0 0 0)							
Balance at January 01, 2003	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 period ended September 30, 2003	-	-	-	-	-	-	2,392,415	2,392,415
Elimination of adjustments arising from remeasurement to fair value of investment in associated company on consolidation	-	-	-	-	180,105	-	-	180,105
Dividends	-	-	-	-	-	-	(1,346,604)	(1,346,604)
Balance at September 30, 2003	2,564,959	279,267	-	8,000,000	-	(2,361,137)	1,264,014	9,747,103
Balance at January 1, 2004	2,564,959	279,267	-	8,600,000	-	(2,361,137)	824,964	9,908,053
Net profit for the period ended September 30, 2004	-	-	-	-	-	-	3,290,304	3,290,304
Transfer from general reserve	-	-	384,744	(700,000)	-	-	315,256	-
Bonus shares issued	384,744	-	(384,744)	-	-	-	-	-
Dividends	-	-	-	-	-	-	(3,231,849)	(3,231,849)
Balance at September 30, 2004	2,949,703	279,267	-	7,900,000	-	(2,361,137)	1,198,675	9,966,508

The annexed notes 1 to 19 form an integral part of these consolidated financial statements.


Chairman


Chief Executive


Director

Notes to the Consolidated Financial Statements

for the period ended September 30, 2004 (Un-Audited)

1. These consolidated financial statements are un-audited and include Fauji Fertilizer Company Limited (FFC) and its subsidiary Fauji Fertilizer Bin Qasim Limited (FFBL) (formerly FFC - Jordan Fertilizer Company Limited) and are being submitted to shareholders, in accordance with requirements of the Companies ordinance, 1984.

FFC had increased its holding in FFBL to 52.23% during 2003. Pursuant to the decision to treat FFBL as a subsidiary from January 01, 2003, the comparative consolidated figures of FFC and FFBL have also been stated.

During the period, FFBL issued 24,208,603 right shares to shareholders other than FFC, consequent to which, FFC's shareholding in FFBL reduced to 50.87%.

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 are presented in condensed form in accordance with the requirements of International Accounting Standard IAS 34 ' Interim Financial Reporting '.

4. SHARE CAPITAL

AUTHORISED

500,000,000 (2003: 300,000,000)
ordinary shares of Rs.10 each.

Note	September 30, 2004	December 31, 2003
	(Rupees '000)	

5,000,000

3,000,000

ISSUED, SUBSCRIBED AND FULLY PAID

256,495,902 Ordinary shares of Rs. 10 each fully paid in cash.

2,564,959

2,564,959

38,474,385 Ordinary shares of Rs.10 each issued as fully paid bonus shares.

384,744

-

294,970,287

2,949,703

2,564,959

5. REVENUE RESERVES

General reserve
Share of unappropriated loss of subsidiary brought forward
Unappropriated profit

7,900,000

8,600,000

(2,361,137)

(2,361,137)

1,198,675

824,964

6,737,538

7,063,827

6. REDEEMABLE CAPITAL -Secured (non participatory)

Long term finances utilized under mark-up arrangements
Term Finance Certificates
Morabaha arrangements

6,318,540

6,526,943

849,360

949,580

261,078

270,748

6.1

7,428,978

7,747,271

Less: Current portion shown under current liabilities

1,984,496

941,169

5,444,482

6,806,102

Notes to the Consolidated Financial Statements

for the period ended September 30, 2004 (Un-Audited)

Note	September 30, 2004	December 31, 2003
	(Rupees '000)	
6.1		
Movement in this account during the period/year is as follows:		
Opening balance	7,747,271	7,989,318
Disbursements during the period/year	–	1,500,000
Repayments during the period/year	(318,293)	(1,742,047)
Closing balance	<u>7,428,978</u>	<u>7,747,271</u>
7. 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)	1,509,290	1,485,910
	<u>1,511,901</u>	<u>1,489,391</u>
- Unsecured loans		
Government of Pakistan loan (FFBL)	5,417,436	5,668,820
Deferred Government Assistance (FFBL)	3,009,174	3,405,991
	<u>8,426,610</u>	<u>9,074,811</u>
	7.1	
	9,938,511	10,564,202
Less : Amount payable within twelve months shown as current maturity	1,659,232	1,353,022
	<u>8,279,279</u>	<u>9,211,180</u>
7.1		
Movement in this account during the period/year is as follows:		
Opening balance	10,564,202	11,678,121
Exchange rate variations/disbursements during the period/year	23,380	205,910
Repayments during the period/year	(649,071)	(1,005,867)
Fair value adjustment of Foreign Exchange Risk Insurance Contract	–	(313,962)
Closing balance	<u>9,938,511</u>	<u>10,564,202</u>
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Not later than one year	6,004	7,506
Later than one year but not later than five years	14,422	19,875
	<u>20,426</u>	<u>27,381</u>
9. SHORT TERM FINANCES - Secured		
Short term loans	1,230,000	600,000
Short term running finances	273,974	137,133
Short term import credits	577,108	2,372,333
	<u>2,081,082</u>	<u>3,109,466</u>

Notes to the Consolidated Financial Statements

for the period ended September 30, 2004 (Un-Audited)

	September 30, 2004	December 31, 2003
	(Rupees '000)	
10. CONTINGENCIES AND COMMITMENTS		
a) Contingencies		
i) Guarantees issued by banks on behalf of the Company.	56,402	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.	66,000	310,000
v) Claims against the Company and/or potential exposure not acknowledged as debt.	62,776	61,708
vi) Indemnity bonds and undertakings given to the customs authorities for the machinery imported by FFBL for installation at plant site.	119,650	3,455,024
vii) 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.	919,452	642,970
ii) Purchase of fertilizer, stores, spares and other revenue items.	538,693	710,668
iii) Rentals under lease agreements:		
Premises	101,151	132,810
Vehicles	267,207	195,909

Notes to the Consolidated Financial Statements

for the period ended September 30, 2004 (Un-Audited)

Note	September 30, 2004	December 31, 2003
	(Rupees '000)	
11. FIXED ASSETS		
Opening written down value	24,167,407	25,198,697
Additions	398,267	653,441
Written down value of disposals/ adjustments	(5,327)	(4,587)
Depreciation	(1,149,955)	(1,680,144)
Closing written down value	<u>23,410,392</u>	<u>24,167,407</u>
12. LONG TERM INVESTMENTS		
Investments available for sale		
Term deposits	241,867	250,218
Government of Pakistan Special US Dollar Bonds	1,172,917	1,138,202
National Savings Certificates	500,000	1,000,000
Arabian Sea Country Club Limited (ASCCL) (300,000 ordinary shares of Rs. 10 each)	3,000	3,000
Less: Impairment in value of investment	(3,000)	(3,000)
	<u>1,914,784</u>	<u>2,388,420</u>
Investments held to maturity		
Pakistan Investment Bonds	700,000	700,000
Term Finance Certificates	90,670	148,380
	<u>790,670</u>	<u>848,380</u>
	<u>2,705,454</u>	<u>3,236,800</u>
Less:		
Maturing within twelve months shown under current assets -		
Term deposits	8,513	76,746
Government of Pakistan Special US Dollar Bonds	1,172,917	201,208
National Savings Certificates	500,000	500,000
Term Finance Certificates	90,670	128,025
	<u>1,772,100</u>	<u>905,979</u>
	<u>933,354</u>	<u>2,330,821</u>
13. 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)	500,000	1,200,000
Foreign currency	102,497	94,866
Current maturity of long term investments	1,772,100	905,979
	<u>2,374,597</u>	<u>2,200,845</u>

Notes to the Consolidated Financial Statements

for the period ended September 30, 2004 (Un-Audited)

	For the quarter ended		For the period ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
	(Rupees '000)			
14. COST OF GOODS SOLD				
Raw materials consumed	2,543,224	1,221,705	7,172,958	3,143,035
Fuel and power	896,660	830,185	2,464,391	2,311,273
Chemicals and supplies	46,657	47,964	137,091	124,954
Salaries, wages and benefits	325,733	289,746	998,466	863,021
Rent, rates and taxes	7,900	8,140	22,377	22,182
Insurance	35,108	28,501	103,556	87,081
Travel and conveyance	27,706	21,610	73,446	69,091
Repairs and maintenance	123,891	101,775	521,423	588,587
Amortisation of deferred costs	18,696	23,644	65,806	70,687
Depreciation	383,662	377,429	1,133,751	1,266,952
Communication, establishment and other expenses	97,766	72,200	259,617	228,475
Provision for slow moving and surplus spares	24,329	-	44,329	10,103
Opening stock - work in process	20,196	34,900	27,875	22,722
Closing stock - work in process	(13,717)	(32,990)	(13,717)	(32,990)
Cost of goods manufactured	<u>4,537,811</u>	<u>3,024,809</u>	<u>13,011,369</u>	<u>8,775,173</u>
Opening stock - manufactured urea	2,094,763	1,431,394	610,869	480,463
- purchased fertilizers	629,207	970,237	102,702	223,821
Purchase of fertilizers for resale	1,097	795,251	823,670	2,810,184
Cost of goods manufactured	<u>7,262,878</u>	<u>6,221,691</u>	<u>14,548,610</u>	<u>12,289,641</u>
Closing stock - manufactured urea	(633,926)	(1,591,459)	(633,926)	(1,591,459)
- purchased fertilizers	(73,916)	(752,183)	(73,916)	(752,183)
	<u>6,555,036</u>	<u>3,878,049</u>	<u>13,840,768</u>	<u>9,945,999</u>
15. EARNINGS PER SHARE				
There is no dilutive effect on the basic earnings per share of the Company which is based on:				
Profit after taxation	1,300,843	849,853	3,290,304	2,392,415
Weighted average number of ordinary shares ('000)	294,970	294,970	294,970	294,970

Number of shares outstanding in the comparatives have been restated for the effect of bonus shares issued during the period.

Notes to the Consolidated Financial Statements

for the period ended September 30, 2004 (Un-Audited)

Note	September 30, 2004	September 30, 2003
	(Rupees '000)	
16. CASH GENERATED FROM OPERATIONS		
Profit before taxation	5,670,904	3,145,897
Adjustments for non cash charges and other items		
Depreciation	1,146,764	1,277,718
Amortisation of goodwill	78,462	78,462
Amortisation of deferred costs	69,826	74,617
Provision for slow moving and surplus spares	44,329	10,103
Financial charges	322,468	581,632
Gain on sale of fixed assets	(16,543)	(12,379)
Income on loans, deposits and investments	(327,463)	(329,738)
Provision for gratuity	3,262	–
Exchange loss/(gain)	4,385	(15,792)
	1,325,490	1,664,623
	6,996,394	4,810,520
Increase in stores and spares	(128,114)	(105,353)
Increase in stock in trade	(119,204)	(1,781,965)
Increase in trade debts	(233,394)	(944,798)
Increase in loans, advances, deposits, prepayments and other receivables	(683,258)	(209,580)
Increase/(decrease) in creditors, accrued and other liabilities' (excluding accrued financial charges)	733,175	(871,236)
Increase in long term loans and advances	(2,023)	(17,026)
Increase in long term deposits, prepayments and deferred costs	(44,438)	(6,382)
	(477,256)	(3,936,340)
	6,519,138	874,180

17. FACILITIES OF LETTERS OF GUARANTEE AND LETTERS OF CREDIT

Facilities of letters of guarantee and letters of credit amounting to Rs 20,000 thousand and Rs 2,125,000 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.

Notes to the Consolidated Financial Statements

for the period ended September 30, 2004 (Un-Audited)

	September 30, 2004	September 30, 2003
	(Rupees '000)	
18. TRANSACTIONS WITH RELATED PARTIES		
Fauji Foundation		
Office rent	2,271	2,261
Sale of fertilizer	4,374	27,262
Medical services	41	12
Goods sold to the projects	2,525	5,383
Right shares issued	3,713	–
Advance against issue of shares	–	225,000
Mari Gas Company Limited		
Purchase of gas as feed and fuel stock	4,334,699	3,885,511
Haldor Topsoe A/s, Denmark		
Technical services received	10,440	10,440
CDC Holding Sendirian Berhad		
Right shares issued	24,015	–
Repayment of loan	–	15,758
Financial charges paid	–	4,118
Guarantee commission paid	–	9,703
Pak Kuwait Investment Company (Pvt) Limited		
Right shares issued	5,350	–
Repayment of loan	11,429	–
Financial Charges paid	4,966	7,609
Jordan Phosphate Mine Company		
Financial Charges paid	–	34,671
Payment to Employees' Provident Fund Trusts	78,809	69,082
Payment to Employees' Gratuity Fund Trusts	29,021	42,138
Payment to Employees' Pension Fund Trusts	29,627	23,207

19. GENERAL

19.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

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

19.3 These consolidated financial statements were authorised for issue by the Board of Directors of FFC on October 27, 2004.


Chairman


Chief Executive


Director



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