



### 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

Brig Arshad Shah, SI(M) (Retired)

Mr Tariq Iqbal Khan

Syed Zaheer Ali Shah

Mr Khawar Saeed

Dr Nadeem Inayat

Mr Istaqbal Mehdi

Brig Munawar Ahmed Rana, SI(M) (Retired)

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

Maj Gen Julian Peter, HI(M) (Retired)

#### CHIEF FINANCIAL OFFICER

Mr Abid Maqbool

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 half year ended June 30, 2006

### Dear Members,

It pleases me to present appreciable first half year results indicative of our strategies aimed at sustained profitability growth and consistent superior returns to our stakeholders.

The un-audited financial statements of Fauji Fertilizer Company Limited, duly reviewed by the auditors, alongwith consolidated un-audited financial statements of the Company and its subsidiary Fauji Fertilizer Bin Qasim Limited (FFBL) for the six months ended June 30, 2006 are annexed.

The Industry continues to be impacted by escalating gas prices. The 15.5% increase in fuel gas cost effective January 2006 was followed with a 9.94% enhancement in costs of both fuel and feed gas effective July 1, 2006. Industry urea sales during the six months of 2,569 thousand tonnes were higher by 9% compared to sales for same period of last year. 63% of the market was captured by "Farmer's First Choice" 'Sona' urea (Including marketing of FFBL's granular urea). To bridge the demand-supply gap, Trading Corporation of Pakistan imported 397 thousand tonnes of urea to supplement 5% improvement in domestic output of 2,374 thousand tonnes compared to production during corresponding period of last year. Early imports by TCP resulted in closing inventory of 262 thousand tonnes at June 30, 2006 compared to 49 thousand tonnes at the end of the corresponding period of last year.

The Industry carried an excessive phosphatic fertilizer inventory of 406 thousand tonnes at the commencement of the period. Indigenous DAP production by FFBL stood at 204 thousand tonnes, 8% lower than last year owing to DAP Plant maintenance turnaround. Phosphatic fertilizers sales were recorded at 409 thousand tonnes which improved by a marginal 2% over sales during the same period of last year. 273 thousand tonnes were imported due to opportunity buying resulting in closing inventory of 470 thousand tonnes at the end of the period, 80% higher than the closing inventory of June

Our plants consistently operated in excess of designed capacity during this period. Plant-I at Goth Machhi produced 423 thousand tonnes (122% of designed capacity) and Plant-II at Goth Machhi manufactured 363 thousand tonnes (114% of designed capacity) despite maintenance turnaround during the first quarter. Plant-III at Mirpur Mathelo also experienced turnaround during the second quarter and produced 362 thousand tonnes (126% of designed

Company attained 12% aggregate growth in urea sales volume

comprising 1,148 thousand tonnes of 'Sona' urea and 168 thousand tonnes of imported urea during the period. The growth is mainly attributable to a progressive agricultural sector and strong demand. An aggregate 306 thousand tonnes, including 49 thousand tonnes of imported urea, were marketed on behalf of FFBL.

Company DAP sales of 26 thousand tonnes showed an upturn of 12% as compared to the sales for same period of last year. Total phosphatic sales, including sales of FFBL DAP of 153 thousand tonnes, were recorded at 185 thousand tonnes which secured market share of 44% for the Company.

The Company's after tax profitability was a record Rs. 2.19 billion augmented by Rs. 238 million dividend from FFBL. Sales revenue of Rs. 12.64 billion increased by 22% over the revenue for the corresponding period of last year. Consequently, the net profit improved by 15% over the profit for corresponding period of last year. Per share earnings of the Company for the six months were recorded at Rs. 4.44 which improved by Re. 0.59 over restated EPS for the corresponding period of last year.

Based on the encouraging half yearly results, the Board is pleased to announce a second interim cash dividend of 20% (Rs. 2 per share) for 2006. The total dividend to date including the first interim dividend aggregates to 42.50 % (Rs. 4.25 per share).

The results for the half year indicate impressive operational and financial performance. The outlook for the year 2006 remains optimistic. We move forward with confidence and enthusiasm to deliver value to our esteemed shareholders and customers.

On behalf of the Board,

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

London, United Kingdom July 31, 2006

## **Review Report to the Members**

We have reviewed the annexed balance sheet of Fauji Fertilizer Company Limited ("the Company") as at June 30, 2006, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

ISLAMABAD July 31, 2006 KPMG TASEER HADI & CO. CHARTERED ACCOUNTANTS



## Balance Sheet As at June 30, 2006 (Un-audited)

		June 30,	December 31,	
	Note	2006	2005	
		(Rupees '000)		
SHARE CAPITAL AND RESERVES				
Share capital	4	4,934,742	4,934,742	
Capital reserve		160,000	160,000	
Revenue reserves	5	7,316,614	7,346,166	
		12,411,356	12,440,908	
NON CURRENT LIABILITIES	6	858,247	981,078	
DEFERRED TAXATION		2,338,000	2,401,000	
CURRENT LIABILITIES				
Trade and other payables		4,704,025	6,737,803	
Interest and mark - up accrued		87,917	81,644	
Short term borrowings		1,754,421	2,504,963	
Current portion of long term:				
- Financing		1,345,660	1,845,658	
- Murabaha		_	41,667	
Taxation		1,673,496	1,414,418	
		9,565,519	12,626,153	
CONTINGENCIES AND COMMITMENTS	5 7			
		25,173,122	28,449,139	

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

### FAUJI FERTILIZER COMPANY LIMITED

	Note	June 30, 2006 (Rupee	December 31, 2005 s '000)
PROPERTY, PLANT AND EQUIPMENT	. 8	9,369,206	9,184,727
GOODWILL		1,621,541	1,673,849
LONG TERM INVESTMENTS	9	6,099,753	6,058,006
LONG TERM LOANS AND ADVANCES		65,099	64,545
LONG TERM DEPOSITS AND PREPAYM	IENTS	2,137	3,435
CURRENT ASSETS			
Stores, spares and loose tools		2,333,603	2,154,318
Stock in trade		2,195,332	560,472
Trade debts		1,011,096	659,713
Loans and advances		117,314	116,810
Deposits and prepayments		115,030	26,097
Other receivables		512,608	579,802
Short term investments	10	1,177,173	6,195,252
Cash and bank balances		553,230	1,172,113
		8,015,386	11,464,577
		0F 170 100	
		25,173,122	28,449,139

√√*∞*∞∞∞ Chairman

Chief Executive

## **Profit and Loss Account**

## For the half year ended June 30, 2006 (Un-audited)

		For the quarter ended		For the half year ended		
	Note	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005	
			(Rupe	es '000)		
Sales		6,107,202	5,805,615	12,637,865	10,369,755	
Cost of sales	11	3,808,251	3,450,069	8,017,562	6,211,525	
GROSS PROFIT		2,298,951	2,355,546	4,620,303	4,158,230	
Distribution cost		646,999	528,766	1,307,897	947,629	
		1,651,952	1,826,780	3,312,406	3,210,601	
Finance cost		91,567	67,200	186,168	138,950	
Other expenses		141,236	152,352	300,286	278,675	
		1,419,149	1,607,228	2,825,952	2,792,976	
Other income		84,565	57,175	497,130	177,741	
NET PROFIT BEFORE TAXATION		1,503,714	1,664,403	3,323,082	2,970,717	
Provision for taxation		548,000	599,000	1,132,000	1,072,000	
NET PROFIT AFTER TAXATION		955,714	1,065,403	2,191,082	1,898,717	
Earnings per share - basic and diluted (Rupees)	12	1.94	2.16	4.44	3.85	

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

Chairman

**Chief Executive** 

## **Cash Flow Statement**

## For the half year ended June 30, 2006 (Un-audited)

	Note	June 30, 2006	June 30, 2005
		(Rupe	es '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	13	(827,396)	3,461,554
Finance cost paid		(190,432)	(145,763)
Income tax paid		(924,042)	(358,445)
Net cash (used in)/generated from operating ac	tivities	(1,941,870)	2,957,346
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(561,550)	(339,191)
Proceeds from sale of property, plant and equip	ment	3,182	14,428
Interest received		264,593	154,307
Increase in investments		(112,006)	(687,794)
Dividend received from Fauji Fertilizer Bin Qasim L	imited (FFBL)	225,736	-
Net cash used in investing activities		(180,045)	(858,250)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		500,000	-
Long term financing - repayments		(1,122,829)	(1,524,214)
Long term loans - repayments		-	(871)
Long term murabaha - repayments		(41,667)	(41,667)
(Decrease)/increase in short term borrowings		(750,542)	683,137
Dividends paid		(2,183,625)	(1,921,821)
Net cash used in financing activities		(3,598,663)	(2,805,436)
		(5.700.570)	(700.040)
Net decrease in cash and cash equivalents		(5,720,578)	(706,340)
Cash and cash equivalents at beginning of the period	od	7,176,453	4,108,330
Effect of exchange rate changes		6,665	4,957
Cash and cash equivalents at close of the half year.		1,462,540	3,406,947
CASH AND CASH EQUIVALENTS			
Cash and bank balances		553,230	2,265,497
Short term highly liquid investments		909,310	1,141,450
		1,462,540	3,406,947

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

Chairman

Chief Executive

Statement of Changes in Equity
For the half year ended June 30, 2006 (Un-audited)

			Reserve for			
	Share	Capital	issue of		Unappropriated	d Total
	capital	reserve	bonus shares		profit/(loss)	
		(R	upees'00	0.)		
Balance at January 1, 2005 as previously reported	2,949,703	160,000	442,455	7,450,000	1,292,749	12,294,907
Transfer to general reserve due to change in accounting policy (note 3.1)	-	-	(442,455)	450,000	(7,545)	-
Restated balance at January 1, 2005	2,949,703	160,000		7,900,000	1,285,204	12,294,907
Net profit for the half year ended June 30, 2005	-	-	-	-	1,898,717	1,898,717
Dividends						
Final 2004:Rs. 3.00 per share	-	-	-	-	(884,911)	(884,911)
First interim 2005:Rs. 2.50 per share	-	-	-	-	(848,039)	(848,039)
Transfer to reserve for issue of bonus shares	-	-	951,279	(450,000)	(501,279)	_
Bonus shares issued	951,279	-	(951,279)	-	-	-
Restated balance at June 30, 2005	3,900,982	160,000		7,450,000	949,692	12,460,674
Balance at January 1, 2006 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 (note 3.1)	_	-	_	100,000	(100,000)	-
Restated balance at January 1, 2006	4,934,742	160,000		7,390,000	(43,834)	12,440,908
Net profit for the half year ended June 30, 2006	-	-	_	_	2,191,082	2,191,082
Transfer to unappropriated profit	-	-	-	(100,000)	100,000	-
Dividends						
Final 2005:Rs. 2.25 per share	-	-	-	-	(1,110,317)	(1,110,317)
First interim 2006:Rs. 2.25 per share	-	-	-	-	(1,110,317)	(1,110,317)
Balance at June 30, 2006	4,934,742	160,000		7,290,000	26,614	12,411,356
				_		

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

### Notes to the Financial Statements

### For the half year ended June 30, 2006 (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 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.
- 2. These financial statements, duly reviewed by the auditors, 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 (IAS) 34: "Interim Financial Reporting".
- Accounting policies, related judgements, 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, 2005 except for the following change in accounting policy:
- **3.1** Declarations of bonus shares and other reserves' appropriations after the balance sheet date but before the authorisation of financial statements for issue are now recognized in the period in which these announcements or appropriations are made in compliance with the Circular No.06/2006 dated June 19, 2006 of the Institute of Chartered Accountants of Pakistan. Previously such declarations and appropriations were recognized at the

Comparative figures have been restated in compliance with International Accounting Standard 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had the policy not been changed, reserve for issue of bonus shares as at June 30, 2005 would have been higher by Rs 585,147 thousand and general reserve as at December 31, 2005 would have been lower by Rs 100,000 thousand with corresponding effect on un-appropriated profit as at respective period/year end.

June 30. December 31. 2006 2005 (Rupees '000)

### 4. SHARE CAPITAL

### ISSUED. SUBSCRIBED AND PAID UP CAPITAL

### (Numbers)

256,495,902 Ordinary shares of Rs 10 each fully paid in cash. 2	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	1,934,742	4,934,742

### **AUTHORISED SHARE CAPITAL**

This represents 500,000,000 (2005: 500,000,000) ordinary shares of Rs 10 each amounting to Rs. 5,000,000 thousand.

June 30,	December 31,
2006	2005
	(Restated)
(Rup	ees '000)

#### **REVENUE RESERVES**

General reserve	7,290,000	7,390,000
Unappropriated profit/(loss)	26,614	(43,834)
	7,316,614	7,346,166



			Note	June 30, 2006 (Rupees	December 31, 2005
6.	NOI	N CURRENT LIABILITIES		(Rupees	000)
		g term financing - secured g term murabaha - secured		2,203,907	2,826,736 41,667
	Loca	s: Amount navable within twolve	6.1	2,203,907	2,868,403
		s: Amount payable within twelve hths shown as current maturity		1,345,660 858,247	1,887,325 981,078
6.1	Mον	vement in this account during the			
	peri	od/year is as follows:			
	One	ening balance		2,868,403	5,137,565
	•	oursement during the period		500,000	J, 137,303 —
		ayments during the period/year		(1,164,496)	(2,269,162)
	-	sing balance		2,203,907	2,868,403
_					
7.	COI	NTINGENCIES AND COMMITMENTS			
	a)	Contingencies			
	(i)	Guarantees issued by banks on behalf of Company.	fthe	47.000	40.000
	(ii)	Disputed demand for income tax and le contribution to Workers' Welfare Fund rela former PSFL decided in favour of the Conby the income tax appellate authorities currently in appeal by the department Company is confident that there are reason grounds for a favourable decision.	nted to npany s, are . The	17,803	19,620
	, <u>.</u>			295,590	295,590
	(iii)	Claims against the Company and/ or pot exposure not acknowledged as debt.	tential	62,776	62,776
	<b>L</b> \	Commitments in vesses of		•	•
	b)	Commitments in respect of:			
	(i)	Capital expenditure		736,751	473,243
	(ii)	Purchase of fertilizer, stores, spares and revenue items.	other	070 700	507.457
	(iii)	Commitment for equity investment in Pal Maroc Phosphore S.A. (PMP) Moroccan Di 46,875 thousand (2005: MAD 46,875 thousand	rhams	270,723	507,457
	(iv)	Company's share of commitments in PMI itself is committed to incur capital expen of MAD 1,253 million equivalent Pak Rs million	diture	322,139	311,250
	(s. A			1,076,500	995,375
	(v)	Rentals under lease agreements:			
		Premises Vehicles		114,036 222,376	99,538 232,577

		Note		December 31, 2005 ees '000)
8.	PROPERTY, PLANT AND EQUIPMENT		` .	,
0.	Opening written down value Additions during the period/year Written down value of disposals/ adjustments Depreciation during the period/ year Closing written down value		9,184,727 561,550 (85) (376,986) 9,369,206	9,180,716 1,250,141 (476,663) (769,467) 9,184,727
9.	LONG TERM INVESTMENTS			
	Pakistan Maroc Phosphore S.A., Morocco		367,487	367,487
	Investment in subsidiary - at cost Fauji Fertilizer Bin Qasim Limited (FFBL)		4,752,330	4,752,330
	Investments available for sale Certificates of investment		281,412	279,998
	Investments held to maturity Pakistan Investment Bonds Term Finance Certificates		600,000 149,960 749,960 6,151,189	600,000 99,980 699,980 6,099,795
	Less: Current portion shown under short term investments	10		
	Investments available for sale Certificates of investment		51,376	41,749
	Investments held to maturity Term Finance Certificates		60 51,436	40 41,789
10.	SHORT TERM INVESTMENTS		6,099,753	6,058,006
	Term deposits with banks and financial institutions Foreign currency Held to maturity		901,545	905,963
	Presentation currency Held to maturity		-	4,650,000
	Available for sale (net of provision for doubtful recovery Rs 13,000 thousand; 2005: Rs 13,000 thousand)			500,000
	Investments at fair value through profit or loss	3	_	500,000
	Meezan Balanced Fund National Investment Trust Nafa Cash Fund		100,500 103,312 20,380 224,192	97,500 - - 97,500
	Current maturity of long term investments		51,436 1,177,173	41,789 6,195,252

		For the quand June 30, 2006	June 30, 2005	June 30, 2006	year ended June 30, 2005
11.	COST OF SALES		(Rupees '	000)	
	Raw materials consumed	1,248,798	1,145,476	2,474,119	2,155,882
	Fuel and power	892,251	724,061	1,748,368	1,333,243
	Chemicals and supplies	45,815	36,916	74,097	75,563
	Salaries, wages and benefits	383,554	340,653	748,807	651,601
	Rent, rates and taxes	4,065	4,324	8,792	6,698
	Insurance	24,472	22,708	48,522	46,354
	Technical services	4,065	3,891	8,040	7,866
	Travel and conveyance	32,521	23,423	49,535	47,015
	Repairs and maintenance	165,202	106,250	328,450	302,921
	Depreciation	189,481	180,884	369,658	347,093
	Communication, establishment and other expenses	96,906	120,388	191,495	203,910
	Provision for slow moving and surplus spares	5,471	-	5,471	-
	Opening stock-work in process	21,146	15,334	18,028	10,192
	Closing stock-work in process	(19,687)	(14,425)	(19,687)	(14,425)
	Cost of goods manufactured	3,094,060	2,709,883	6,053,695	5,173,913
	Add: Opening stock - manufactured urea	11,547	30,523	19,386	22,384
	Less: Closing stock-manufactured urea	(21,214)	(23,230)	(21,214)	(23,230)
		(9,667)	7,293	(1,828)	(846)
	Cost of sales - own manufactured urea	3,084,393	2,717,176	6,051,867	5,173,067
	Opening stock - purchased fertilizers	807,361	66,601	487,978	156,696
	Purchase of fertilizers for resale	1,985,365	1,085,411	3,546,585	1,300,881
		2,792,726	1,152,012	4,034,563	1,457,577
	Less: Closing stock - purchased fertilizers	(2,068,868)	(419,119)	(2,068,868)	(419,119)
	Cost of sales - purchased fertilizers	723,858	732,893	1,965,695	1,038,458
		3,808,251	3,450,069	8,017,562	6,211,525

		For the qu June 30, 2006	arter ended June 30, 2005 (Rupees	June 30, 2006	year ended June 30, 2005
12.	EARNINGS PER SHARE				
	Net profit after tax (Rupees '000)	955,714	1,065,403	2,191,082	1,898,717
	Weighted average number of shares in				
	issue during the period ('000')	493,474	493,474	493,474	493,474
	Basic and diluted earnings per share (Rupees)	1.94	2.16	4.44	3.85

There is no dilutive effect on the basic earnings per share of the Company.

Number of shares in issue during the half year ended June 30, 2005 have been restated for the effect of bonus shares issued subsequent to that date.

	bonus shares issued subsequent to that date.	That's boom rootatou	10. 11.0 0.1100. 0.1
		June 30, 2006	June 30, 2005
		(Rupees	'000)
13.	CASH (USED IN)/GENERATED FROM OPERATIONS		
	Net profit before taxation	3,323,082	2,970,717
	Adjustments for:		
	Depreciation	375,127	352,158
	Provision for gratuity, pension and leave encashment	57,550	53,574
	Amortization of goodwill	52,308	52,308
	Provision for slow moving and surplus spares	5,471	-
	Finance cost	186,168	138,950
	Gain on sale of property, plant and equipment	(3,097)	(10,645)
	Income on loans, deposits and investments	(226,289)	(154,645)
	Exchange loss/(gain)	3,872	(8,684)
	(Gain)/loss on remeasurement of investments at		
	fair value through profit or loss	(6,692)	20,548
	Dividend from FFBL	(237,616)	_
		206,802	443,564
		3,529,884	3,414,281
	Changes in working capital		
	(Increase )/ decrease in current assets		
	Stores and spares	(184,756)	(95,791)
	Stock in trade	(1,634,860)	(358,199)
	Trade debts	(351,383)	840,174
	Loans and advances	(504)	(17,661)
	Deposits and prepayments	(88,933)	(83,637)
	Other receivables	28,889	10,140
	Decrease in current liabilities		
	Trade and other payables	(2,126,477)	(248,571)
		(4,358,024)	46,455
	Changes in long term loans and advances	(554)	2,866
	Changes in long term deposits and prepayments	1,298	(2,048)
		(827,396)	3,461,554

## **Notes to the Financial Statements**

For the half year ended June 30, 2006 (Un-audited)

### 14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

with the rotated parties are as follows:	June 30, 2006	June 30, 2005
	(Rupe	es '000)
Subsidiary		
Fauji Fertilizer Bin Qasim Limited (FFBL)		
Marketing of fertilizer on behalf of FFBL	440.007	400.000
under sale on consignment basis	118,327	100,306
Commission on sale of FFBL products	9,172	9,905
Services and materials provided	2,695	565
Services and materials received	1,336	600
Dividend received - net of tax	225,736	_ 207.744.*
Balance payable, unsecured	528,184	267,744 *
Associates		
Fauji Foundation		
Office rent	1,400	1,200
Sale of fertilizers	_	420
Bonus shares issued	_	421,892
Dividends paid	984,851	768,563
Medical services	4	_
Balance receivable, unsecured	36	36 *
Mari Gas Company Limited		
Purchase of gas as feed and fuel stock	3,871,181	3,180,801
Balance payable, unsecured	379,262	348,511 *
Haldor Topsoe A/s, Denmark		
Technical services received	8,040	7,866
Catalysts purchased	104,575	185,708
Catalysts purchaseu	104,575	100,700
Pakistan Maroc Phosphore S.A.		
Balance of advance against issue of shares	367,487	367,487 *
Other related parties		
Remuneration of Chief Executive and Executives		
Remuneration including benefits and perquisites of		
chief executive and other executives. No. of persons		
2006:1 and 272 (2005:1 and 229) respectively		
	331,015	253,300
Payments to:	,	_00,000
Employees' Provident Fund Trust	61,674	52,923
Employees' Gratuity Fund Trust	44,548	35,825
Employees' Pension Fund Trust	36,438	33,178
1 /	,	,

<sup>\*</sup> Comparative figures of receivable/payable balances are as of December 31, 2005.

## **Notes to the Financial Statements**

For the half year ended June 30, 2006 (Un-audited)

### 15 GENERAL

- **15.1** The Board of Directors in their meeting held on July 31, 2006 have proposed second interim dividend of Rs 2.00 per share .
- **15.2** Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- **15.3** These financial statements have been authorised for issue by the Board of Directors of the Company on July 31, 2006.

Chairman

Chief Executive

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# Consolidated Balance Sheet As at June 30, 2006 (Un-audited)

	Note	June 30, 2006	December 31, 2005
		(Rupe	es '000)
SHARE CAPITAL AND RESERVES			
Share capital	4	4,934,742	4,934,742
Capital reserve		276,184	276,184
Revenue reserves	5	6,646,689	6,407,444
		11,857,615	11,618,370
MINORITY INTEREST		4,054,084	3,793,197
		15,911,699	15,411,567
NON CURRENT LIABILITIES	6	9,167,684	10,167,878
DEFERRED TAXATION		4,199,692	3,723,283
CURRENT LIABILITIES			
Trade and other payables		6,732,328	9,380,596
Interest and mark-up accrued		187,088	175,992
Short term borrowings		3,874,434	4,741,612
Current portion of long term:			
- Financing		1,762,604	2,262,603
- Murabaha		38,679	80,346
- Loans		648,201	648,201
<ul> <li>Liabilities against assets subject to finance lease</li> </ul>		3,154	4,015
Taxation		1,673,496	1,414,418
		14,919,984	18,707,783
CONTINGENCIES AND COMMITMENTS	7	- <u></u>	
		44,199,059	48,010,511

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

### FAUJI FERTILIZER COMPANY LIMITED

	Note	June 30, December 3  2006 2005  (Rupees '000)		
PROPERTY, PLANT AND EQUIPMENT	8	24,157,711	23,747,830	
GOODWILL		1,621,541	1,673,849	
LONG TERM INVESTMENTS	9	2,081,698	2,039,951	
LONG TERM LOANS AND ADVANCES		65,099	64,545	
LONG TERM DEPOSITS AND PREPAYMENTS		19,551	20,830	
CURRENT ASSETS				
Stores, spares and loose tools		2,975,983	2,731,400	
Stock in trade		4,345,975	1,583,429	
Trade debts		1,245,489	774,794	
Loans and advances		169,582	154,626	
Deposits and prepayments		117,081	29,403	
Other receivables		856,519	890,874	
Short term investments	10	1,177,173	6,195,252	
Cash and bank balances		5,365,657	8,103,728	
		16,253,459	20,463,506	
		44,199,059	48,010,511	

**Chief Executive** 

## **Consolidated Profit and Loss Account** For the half year ended June 30, 2006 (Un-audited)

	For the quar		rter ended	For the half	r the half year ended	
	Note	June 30, 2006	June 30, 2005	June 30, 2006	June 30,	
	Note			ees '000)	2005	
Sales		9,277,994	9,288,724	18,507,478	16,317,622	
Cost of sales	11	6,238,947	5,797,035	12,384,549	10,140,992	
GROSS PROFIT		3,039,047	3,491,689	6,122,929	6,176,630	
Administrative expenses and distribution cost		977,139	869,338	1,974,027	1,581,165	
		2,061,908	2,622,351	4,148,902	4,595,465	
Finance cost		192,567	123,018	385,951	244,820	
Other expenses		180,187	193,068	362,160	350,639	
		1,689,154	2,306,265	3,400,791	4,000,006	
Other income	12	912,918	830,612	1,220,822	1,037,392	
NET PROFIT BEFORE TAXATION		2,602,072	3,136,877	4,621,613	5,037,398	
Provision for taxation		931,481	1,120,390	1,671,409	1,808,698	
NET PROFIT AFTER TAXATION		1,670,591	2,016,487	2,950,204	3,228,700	
ATTRIBUTABLE TO:						
Equity holders of Fauji Fertilizer Company Limi	ted	1,319,411	1,549,315	2,459,879	2,577,331	
Minority interest		351,180	467,172	490,325	651,369	
		1,670,591	2,016,487	2,950,204	3,228,700	

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

## **Consolidated Cash Flow Statement**

For the half year ended June 30, 2006 (Un-audited)

	Note	June 30, 2006	June 30, 2005
		(Rupe	es '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/ generated from operations	13	(1,215,972)	4,238,171
Finance cost paid	.0	(385,392)	(225,509)
Income tax paid		(963,276)	(378,014)
Compensation received from GOP-net		51,800	/
Net cash (used in)/generated from operating act	ivities	(2,512,840)	3,634,648
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(1,280,258)	(897,237)
Proceeds from sale of property, plant and equip	ment	3,199	17,946
Interest received		545,231	276,569
Increase in investments		(112,026)	(687,794)
Net cash used in investing activities		(843,854)	(1,290,516)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - disbursements		500,000	_
Long term financing - repayments		(1,331,300)	(1,732,686)
Long term loans - repayments		-	(871)
Long term murabaha - repayments		(61,005)	(61,006)
Finance lease paid		(2,215)	(3,924)
(Decrease)/increase in short term borrowings		(750,542)	683,137
Dividends paid		(2,721,374)	(1,921,821)
Net cash used in financing activities		(4,366,436)	(3,037,171)
Net decrease in cash and cash equivalents		(7,723,130)	(693,039)
Cash and cash equivalents at beginning of the period	t	11,871,419	8,010,318
Effect of exchange rate changes		6,665	4,957
Cash and cash equivalents at close of the half year		4,154,954	7,322,236
CASH AND CASH EQUIVALENTS			
Cash and bank balances		5,365,657	8,369,006
Short term running finances		(2,120,013)	(2,188,220)
Short term highly liquid investments		909,310	1,141,450
		4,154,954	7,322,236

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

Chairman

## Consolidated Statement of Changes in Equity

For the half year ended June 30, 2006 (Un-audited)

	ATTRIBUTABLE TO EQUITY HOLDERS OF FFC			Minority			
	Share	Reserve for Share Capital issue of General Unappropriate		Intere:	st Total		
	capital	reserve	bonus share:	reserve upees'0	profit/(loss)	_	Equity
			(1)	ирссо	,		
Balance at January 01, 2005 as previously reported	2,949,703	276,184	442,455	7,450,000	58,753	3,508,218	14,685,313
Transfer to general reserve							
due to change in accounting policy (note 3.1)	-	-	(442,455)	450,000	(7,545)	-	-
Restated balance at January 01, 2005	2,949,703	276,184	-	7,900,000	51,208	3,508,218	14,685,313
Net profit for the half year							
ended June 30, 2005	-	-	-	-	2,577,331	651,369	3,228,700
Dividends							
Final 2004: Rs 3.00 per share	-	-	-	-	(884,911)	-	(884,911)
First interim 2005: Rs. 2.50 per share	-	-	-	-	(848,039)	-	(848,039)
Transfer to reserve for issue of bonus shares	-	-	951,279	(450,000)	(501,279)	-	-
Bonus shares issued	951,279	-	(951,279)	-	-	-	-
Restated balance at June 30, 2005	3,900,982	276,184		7,450,000	394,310	4,159,587	16,181,063
Balance at January 01, 2006 as previously reported	4,934,742	276,184	-	7,290,000	(882,556)	3,793,197	15,411,567
Transfer to general reserve due to change in accounting policy (note 3.1)	-	-	-	100,000	(100,000)	-	-
Restated balance at January 01, 2006	4,934,742	276,184	-	7,390,000	(982,556)	3,793,197	15,411,567
Net profit for the half year ended June 30, 2006	-	_	_	_	2,459,879	490,325	2,950,204
Transfer to unappropriated profit	-	-	-	(100,000)	100,000	-	-
Dividends:							
Final 2005: Rs 2.25 per share	-	-	-	-	(1,110,317)	-	(1,110,317)
First interim 2006: Rs. 2.25 per share	-	-	-	-	(1,110,317)	-	(1,110,317)
FFBL Dividend							
Final 2005: Re 0.50 per share	-	-	-	-	-	(229,438)	(229,438)
Balance at June 30, 2006	4,934,742	276,184		7,290,000	(643,311)	4,054,084	15,911,699

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

Chairman

- 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
- 2. These consolidated financial statements are un-audited and are presented in condensed form in accordance with the requirements of International Accounting Standard IAS 34 'Interim Financial Reporting'.
- Accounting policies, related judgements, 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, 2005 except for the following change in
- 3.1 Declarations of bonus shares and other reserves' appropriations after the balance sheet date but before the authorisation of financial statements for issue are now recognized in the period in which these announcements or appropriations are made in compliance with the Circular No.06/2006 dated June 19, 2006 of the Institute of Chartered Accountants of Pakistan. Previously such declarations and appropriations were recognized at the balance sheet

Comparative figures have been restated in compliance with International Accounting Standard 8 "Accounting policies, Changes in Accounting Estimates and Errors". Had the policy not been changed, reserve for issue of bonus shares as at June 30, 2005 would have been higher by Rs 585,147 thousand and general reserve as at December 31, 2005 would have been lower by Rs 100,000 thousand with corresponding effect on un-appropriated profit at respective period/year end.

June 30,	December 31
2006	2005
(Rupe	es '000)

#### 4. SHARE CAPITAL

### ISSUED, SUBSCRIBED AND PAID UP CAPITAL

### (Numbers)

,,	Ordinary shares of Rs 10 each fully paid in cash. Ordinary shares of Rs. 10 each issued as fully	2,564,959	2,564,959
402 474 220	paid bonus shares.		2,369.783
<u>493,474,230</u>		4,934,742	4,934,742

### **AUTHORISED SHARE CAPITAL**

This represents 500,000,000 (2005: 500,000,000) ordinary shares of Rs 10 each amounting to Rs. 5,000,000 thousand.

June 30,	December 31
2006	2005
	(Restated)
(Rupe	es '000)

### 5. REVENUE RESERVES

General reserve	7,290,000	7,390,000
Accumulated loss	(643,311)	(982,556)
	6,646,689	6,407,444

		Note	June 30, 2006	December 31, 2005
			(Rupees '000)	
6.	NON CURRENT LIABILITIES			
	Long term financing - secured	6.1	4,288,628	5,119,928
	Long term murabaha - secured	6.2	193,392	254,397
	Long term loan - Government of Pakistan			
	loan FFBL (Un-secured)	6.3	7,130,208	7,778,409
	Liabilities against assets subject to finance lease		8,094	10,309
			11,620,322	13,163,043
	Less: Amount payable within twelve months shown as current maturity		2,452,638	2,995,165
			9,167,684	10,167,878
6.1	Movement in this account during the period/ yea as follows:	r is		
	Opening balance		5,119,928	7,720,960
	Disbursements during the period/year		500,000	-
	Repayments during the period/year		(1,331,300)	(2,601,032)
	Closing balance		4,288,628	5,119,928
6.2	Movement in this account during the period/ year as follows:	r is		
	Opening balance		254,397	293,076
	Repayments during the period/year		(61,005)	(38,679)
	Closing balance		193,392	254,397
6.3	Movement in this account during the period/ year as follows:	r is		
	Opening balance		7,778,409	8,426,610
	Adjustment during the period/year		(648,201)	(648,201)
	Closing balance		7,130,208	7,778,409

# $\frac{Notes\ to\ the\ Consolidated\ Financial\ Statements}{For\ the\ half\ year\ ended\ June\ 30,\ 2006\ (Un-audited)}$

		June 30, 2006	December 31, 2005
СО	NTINGENCIES AND COMMITMENTS	(Rupees '000)	
a)	Contingencies		
i) ii)	Guarantees issued by banks on behalf of the Group companies.  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	44,273	41,176
	in appeal by the department. FFC is confident that there are reasonable grounds for a favourable decision.	295,590	295,590
iii)	Income tax demands, not acknowledged as debt, have been challenged by FFBL and are currently in appeal; FFBL expects favourable outcome of appeal.		
iv)	Claims against the Group companies and/or potential exposure not acknowledged as debt.	50,727	57,147
v)	Indemnity bonds and undertakings given to the custom authorities for the machinery imported by FFBL for installation at plant site.	74,772	74,772
b)	Commitments in respect of:	119,650	119,650
i)	Capital expenditure.	3,535,273	2,814,386
ii)	Purchase of fertilizer, stores, spares and other revenue items.	334,682	1,151,064
iii)	Commitment for equity investment in Pakistan Maroc Phosphore S.A. Moroccan Dirhams 140,625 thousand (2005: MAD 140,625 thousand), equivalent approx.		
iv)	Group's share of commitments in Pakistan Maroc Phosphore S.A., including minority interest. PMP itself is committed to incur capital expenditure of MAD 1,253 million equivalent Pak Rs 8,611 million.	966,417	933,750
v)	Rentals under lease agreements:	3,229,500	2,986,125
	Premises Vehicles	114,036 222,376	99,538 232,577

7.

		Note	June 30, 2006	December 31, 2005
8.	PROPERTY, PLANT AND EQUIPMENT		(Rupees '000)	
	Opening written down value Additions during the period/year Written down value of disposals/ adjustments Depreciation during the period/ year Closing written down value		23,747,830 1,280,258 (97) (870,280) 24,157,711	
9.	LONG TERM INVESTMENTS			
	Pakistan Maroc Phosphore S.A., Morocco		1,101,762	1,101,762
	Investment available for sale Certificates of investment		281,412	279,998
	Investments held to maturity Pakistan Investment Bonds Term Finance Certificates		600,000 149,960 749,960	600,000 99,980 699,980
	Less: Current portion shown under short term investment	s 10	2,133,134	2,081,740
10.	Investment available for sale Certificates of investment Investments held to maturity Term Finance Certificates  SHORT TERM INVESTMENTS		51,376 60 51,436 2,081,698	41,749 40 41,789 2,039,951
	Term deposits with banks and financial institutions Foreign currency			
	Held to maturity		901,545	905,963
	Presentation currency Held to maturity Available for sale (net of provision for doubtful reco	overy	-	4,650,000
	Rs 13,000 thousand ; 2005: Rs 13,000 thousand)		_	500,000
	Investments at fair value through profit or loss Meezan Balanced Fund National Investment Trust Nafa cash Fund  Current maturity of long term investments		100,500 103,312 20,380 224,192 51,436	97,500 - - 97,500 41,789
	- I was a second of the second		1,177,173	6,195,252

Name		1	Note	June 30,	June 30, 2005	For the half June 30, 2006	year ended June 30, 2005
Fuel and power	11.	COST OF SALES			(Rupees	'000)	
Chemicals and supplies         62,943         51,708         105,580         103,860           Salaries, wages and benefits         476,612         419,823         930,786         800,635           Rent, rates and taxes         9,321         9,323         19,360         16,786           Insurance         35,665         33,678         71,492         68,256           Technical services         4,065         3,891         8,040         7,866           Travel and conveyance         41,647         30,502         64,526         59,714           Repairs and maintenance         259,935         137,768         515,985         369,883           Depreciation         446,723         411,573         861,265         808,531           Communication, establishment and other expenses         101,338         137,214         202,112         224,550           Provision for slow moving and surplus spares         5,471         —         5,471         4,297           Opening stock - work in process         (23,938)         (16,369)         (23,938)         (16,369)           Cost of goods manufactured         5,511,851         5,158,813         10,842,036         9,781,614           Add: Opening stock - manufactured fertilizers         1,107,943         703,941 <td></td> <td>Raw materials consumed</td> <td></td> <td>2,892,897</td> <td>2,958,099</td> <td>5,767,772</td> <td>5,512,564</td>		Raw materials consumed		2,892,897	2,958,099	5,767,772	5,512,564
Salaries, wages and benefits         476,612         419,823         930,786         800,635           Rent, rates and taxes         9,321         9,323         19,360         16,786           Insurance         35,665         33,678         71,492         68,256           Technical services         4,065         3,891         8,040         7,866           Travel and conveyance         41,647         30,502         64,526         59,714           Repairs and maintenance         259,935         137,768         515,985         369,883           Depreciation         446,723         411,573         861,265         808,531           Communication, establishment and other expenses         101,338         137,214         202,112         224,550           Provision for slow moving and surplus spares         5,471         -         5,471         4,297           Opening stock - work in process         (23,938)         (16,369)         (23,938)         (16,369)           Cost of goods manufactured         5,511,851         5,158,813         10,842,036         9,781,614           Add: Opening stock - manufactured fertilizers         (1,107,943)         (864,738)         (1625,2823)         (864,738)         (1625,2823)         (864,738)         (1,252,2823)		Fuel and power		1,175,814	964,104	2,294,053	1,806,367
Rent, rates and taxes   9,321   9,323   19,360   16,786		Chemicals and supplies		62,943	51,708	105,580	103,860
Insurance   35,665   33,678   71,492   68,256     Technical services   4,065   3,891   8,040   7,866     Travel and conveyance   41,647   30,502   64,526   59,714     Repairs and maintenance   259,935   137,768   515,985   369,883     Depreciation   446,723   411,573   861,265   808,531     Communication, establishment and other expenses   101,338   137,214   202,112   224,550     Provision for slow moving and surplus spares   5,471   - 5,471   4,297     Opening stock - work in process   23,358   17,499   19,532   14,674     Closing stock - work in process   (23,938)   (16,369)   (23,938)   (16,369)     Cost of goods manufactured   5,511,851   5,158,813   10,842,036   9,781,614     Add: Opening stock - manufactured fertilizers   1,107,943   703,941   418,109   61,787     Cost of sales - own manufactured fertilizers   5,366,971   4,998,016   10,007,322   8,978,663     Opening stock - manufactured fertilizers   2,235,480   1,151,537   4,058,377   1,420,001     3,044,319   1,218,138   4,549,570   1,581,448     Less: Closing stock - purchased fertilizers   871,976   799,019   2,377,227   1,162,329     6,238,947   5,797,035   12,384,549   10,140,992     Cottler income   212,918   130,612   520,822   337,392     Compensation from Government of Pakistan (GOP)   12.1   700,000   700,000   700,000   700,000		Salaries, wages and benefits		476,612	419,823	930,786	800,635
Technical services         4,065         3,891         8,040         7,866           Travel and conveyance         41,647         30,502         64,526         59,714           Repairs and maintenance         259,935         137,768         515,985         369,883           Depreciation         446,723         411,573         861,265         808,531           Communication, establishment and other expenses         101,338         137,214         202,112         224,550           Provision for slow moving and surplus spares         5,471         -         5,471         4,297           Opening stock - work in process         23,358         17,499         19,532         14,674           Closing stock - work in process         (23,938)         (16,369)         (23,938)         (16,369)           Cost of goods manufactured         5,511,851         5,158,813         10,842,036         9,781,614           Add: Opening stock - manufactured fertilizers         1,107,943         703,941         418,109         61,787           Less: Closing stock - manufactured fertilizers         5,366,971         4,998,016         10,007,322         8,978,663           Opening stock - purchased fertilizers         808,839         66,601         491,193         161,447           2,23		Rent, rates and taxes		9,321	9,323	19,360	16,786
Travel and conveyance         41,647         30,502         64,526         59,714           Repairs and maintenance         259,935         137,768         515,985         369,883           Depreciation         446,723         411,573         861,265         808,531           Communication, establishment and other expenses         101,338         137,214         202,112         224,550           Provision for slow moving and surplus spares         5,471         -         5,471         4,297           Opening stock - work in process         23,358         17,499         19,532         14,674           Closing stock - work in process         (23,938)         (16,369)         (23,938)         (16,369)           Cost of goods manufactured         5,511,851         5,158,813         10,842,036         9,781,614           Add: Opening stock - manufactured fertilizers         1,107,943         703,941         418,109         61,787           Less: Closing stock - manufactured fertilizers         5,366,971         4,998,016         10,007,322         8,978,663           Opening stock - purchased fertilizers         808,839         66,601         491,193         161,447           2,235,480         1,151,537         4,058,377         1,420,001           3,044,319         <		Insurance		35,665	33,678	71,492	68,256
Repairs and maintenance   259,935   137,768   515,985   369,883     Depreciation   446,723   411,573   861,265   808,531     Communication, establishment and other expenses   101,338   137,214   202,112   224,550     Provision for slow moving and surplus spares   5,471   -   5,471   4,297     Opening stock - work in process   23,358   17,499   19,532   14,674     Closing stock - work in process   (23,938)   (16,369)   (23,938)   (16,369)     Cost of goods manufactured   5,511,851   5,158,813   10,842,036   9,781,614     Add: Opening stock - manufactured fertilizers   1,107,943   703,941   (1,252,823)   (864,738)   (16369,797)     Cost of sales - own manufactured fertilizers   5,366,971   4,998,016   10,007,322   8,978,663     Opening stock - purchased fertilizers   808,839   66,601   491,193   161,447     2,235,480   1,151,537   4,058,377   1,420,001     3,044,319   1,218,138   4,549,570   1,581,448     Less: Closing stock - purchased fertilizers   871,976   799,019   2,377,227   1,162,329     6,238,947   5,797,035   12,384,549   10,140,992     12. OTHER INCOME   212,918   130,612   520,822   337,392     Compensation from Government of Pakistan (GOP)   12.1   700,000   700,000   700,000   700,000   700,000		Technical services		4,065	3,891	8,040	7,866
Depreciation		Travel and conveyance		41,647	30,502	64,526	59,714
Communication, establishment and other expenses   101,338   137,214   202,112   224,550		Repairs and maintenance		259,935	137,768	515,985	369,883
expenses         101,338         137,214         202,112         224,550           Provision for slow moving and surplus spares         5,471         -         5,471         4,297           Opening stock - work in process         23,358         17,499         19,532         14,674           Closing stock - work in process         (23,938)         (16,369)         (23,938)         (16,369)           Cost of goods manufactured         5,511,851         5,158,813         10,842,036         9,781,614           Add: Opening stock - manufactured fertilizers         [1,107,943]         703,941         418,109         61,787           Less: Closing stock - manufactured fertilizers         [1,252,823]         (864,738)         (12,252,823)         (864,738)           Cost of sales - own manufactured fertilizers         5,366,971         4,998,016         10,007,322         8,978,663           Opening stock - purchased fertilizers         808,839         66,601         491,193         161,447           Purchase of fertilizers for resale         3,044,319         1,218,138         4,549,570         1,581,448           Less: Closing stock - purchased fertilizers         (2,172,343)         (419,119)         (2,172,343)         (419,119)           Cost of sale - purchased fertilizers         871,976         799,019		Depreciation		446,723	411,573	861,265	808,531
Opening stock - work in process         23,358         17,499         19,532         14,674           Closing stock - work in process         (23,938)         (16,369)         (23,938)         (16,369)           Cost of goods manufactured         5,511,851         5,158,813         10,842,036         9,781,614           Add: Opening stock - manufactured fertilizers         1,107,943         703,941         418,109         61,787           Less: Closing stock - manufactured fertilizers         (14,252,823)         (864,738)         (1,252,823)         (864,738)           Cost of sales - own manufactured fertilizers         5,366,971         4,998,016         10,007,322         8,978,663           Opening stock - purchased fertilizers         808,839         66,601         491,193         161,447           Purchase of fertilizers for resale         2,235,480         1,151,537         4,058,377         1,420,001           3,044,319         1,218,138         4,549,570         1,581,448           Less: Closing stock - purchased fertilizers         (2,172,343)         (419,119)         (2,172,343)         (419,119)           Cost of sale - purchased fertilizers         871,976         799,019         2,377,227         1,162,329           6,238,947         5,797,035         12,384,549         10,140,992				101,338	137,214	202,112	224,550
Closing stock - work in process  Cost of goods manufactured  Add: Opening stock - manufactured fertilizers  Less: Closing stock - manufactured fertilizers  Cost of sales - own manufactured fertilizers  Opening stock - purchased fertilizers  Cost of fertilizers for resale  Cost of sale - purchased fertilizers  Cost of sale - purchased		Provision for slow moving and surplus spare	s	5,471	-	5,471	4,297
Cost of goods manufactured		Opening stock - work in process		23,358	17,499	19,532	14,674
Add: Opening stock - manufactured fertilizers  Less: Closing stock - manufactured fertilizers  (1,252,823) (864,738) (1,252,823) (834,714) (802,951)  Cost of sales - own manufactured fertilizers  Opening stock - purchased fertilizers  (2,235,480		Closing stock - work in process		(23,938)	(16,369)	(23,938)	(16,369)
Less: Closing stock - manufactured fertilizers (144,880) (160,797) (1252,823) (864,738) (802,951) (804,714) (804,714		Cost of goods manufactured		5,511,851	5,158,813	10,842,036	9,781,614
Cost of sales - own manufactured fertilizers  Opening stock - purchased fertilizers  Purchase of fertilizers for resale  Less: Closing stock - purchased fertilizers  Cost of sale - purchased fertilizers  Respectively:  Respectively:  Cost of sale - purchased fertilizers  Respectively:  Respectively:  Respectively:  Cost of sale - purchased fertilizers  Respectively:  Respectiv		Add: Opening stock - manufactured fertilizer	S	1,107,943	703,941	418,109	61,787
Opening stock - purchased fertilizers       808,839       66,601       491,193       161,447         Purchase of fertilizers for resale       2,235,480       1,151,537       4,058,377       1,420,001         3,044,319       1,218,138       4,549,570       1,581,448         Less: Closing stock - purchased fertilizers       (2,172,343)       (419,119)       (2,172,343)       (419,119)         Cost of sale - purchased fertilizers       871,976       799,019       2,377,227       1,162,329         6,238,947       5,797,035       12,384,549       10,140,992         12. OTHER INCOME         Other income       212,918       130,612       520,822       337,392         Compensation from Government of Pakistan (GOP)       12.1       700,000       700,000       700,000       700,000       700,000       700,000		Less: Closing stock - manufactured fertilizer	S				
Purchase of fertilizers for resale  2,235,480		Cost of sales - own manufactured fertilizers		5,366,971	4,998,016	10,007,322	8,978,663
3,044,319   1,218,138   4,549,570   1,581,448     Less: Closing stock - purchased fertilizers   (2,172,343)   (419,119)   (2,172,343)   (419,119)     Cost of sale - purchased fertilizers   871,976   799,019   2,377,227   1,162,329     6,238,947   5,797,035   12,384,549   10,140,992     12. OTHER INCOME   212,918   130,612   520,822   337,392     Compensation from Government of Pakistan (GOP)   12.1   700,000   700,000   700,000   700,000		Opening stock - purchased fertilizers		808,839	66,601	491,193	161,447
Less: Closing stock - purchased fertilizers       (2,172,343)       (419,119)       (2,172,343)       (419,119)         Cost of sale - purchased fertilizers       871,976       799,019       2,377,227       1,162,329         6,238,947       5,797,035       12,384,549       10,140,992         12. OTHER INCOME         Other income       212,918       130,612       520,822       337,392         Compensation from Government of Pakistan (GOP)       12.1       700,000       700,000       700,000       700,000       700,000		Purchase of fertilizers for resale		2,235,480	1,151,537	4,058,377	1,420,001
Cost of sale - purchased fertilizers 871,976 799,019 2,377,227 1,162,329  6,238,947 5,797,035 12,384,549 10,140,992  12. OTHER INCOME Other income 212,918 130,612 520,822 337,392  Compensation from Government of Pakistan (GOP) 12.1 700,000 700,000 700,000 700,000				3,044,319	1,218,138	4,549,570	1,581,448
12. OTHER INCOME         6,238,947         5,797,035         12,384,549         10,140,992           Other income           Compensation from Government of Pakistan (GOP)         12.1         700,000         700,000         700,000         700,000         700,000         700,000		Less: Closing stock - purchased fertilizers		(2,172,343)	(419,119)	(2,172,343)	(419,119)
12. OTHER INCOME         212,918         130,612         520,822         337,392           Compensation from Government of Pakistan (GOP)         12.1         700,000         700,000         700,000         700,000         700,000		Cost of sale - purchased fertilizers		871,976	799,019	2,377,227	1,162,329
Other income         212,918         130,612         520,822         337,392           Compensation from Government of Pakistan (GOP)         12.1         700,000				6,238,947	5,797,035	12,384,549	10,140,992
Compensation from Government of Pakistan (GOP) 12.1 700,000 700,000 700,000 700,000	12.	OTHER INCOME					
Pakistan (GOP) 12.1 700,000 700,000 700,000 700,000		Other income		212,918	130,612	520,822	337,392
		Compensation from Government of					
<u>912,918</u> <u>830,612</u> <u>1,220,822</u> <u>1,037,392</u>		Pakistan (GOP)	12.1	700,000	700,000	700,000	700,000
				912,918	830,612	1,220,822	1,037,392

<sup>12.1</sup> GOP compensation of Rs 700 million which was receivable in June 2005 has been received in June 2006. Compensation of Rs 700 million for the year 2006 is yet to be received. However, this has been accrued in the books of account of the Group subject to netting off the agreed GOP loan repayment of Rs 648.201 million for the year 2006.

# $\frac{Notes\ to\ the\ Consolidated\ Financial\ Statements}{For\ the\ half\ year\ ended\ June\ 30,\ 2006\ (Un-audited)}$

	June 30, 2006 (Rupees	June 30, 2005 (1000)
13. CASH (USED IN)/ GENERATED FROM OPERATIONS	(Mapoor	, , , ,
Net profit before taxation	4,621,613	5,037,398
Adjustments for:		
Depreciation	870,280	819,684
Provision for gratuity, pension and leave encashment	72,419	70,807
Amortization of goodwill	52,308	52,308
Provision for slow moving and surplus spares	5,471	4,297
Finance cost	385,951	244,820
Income on loans, deposits and investments	(489,990)	(302,056)
Compensation from GOP	(700,000)	(700,000)
Gain on sale of property, plant and equipment	(3,102)	(12,693)
Exchange gain	(4,599)	(8,684)
(Gain)/ loss on remeasurement of investments at fair value through profit or loss	(6,692)	20,548
fail value through profit of loss	182,046	189,031
	4,803,659	5,226,429
Changes in working capital	4,000,000	5,220,423
(Increase)/decrease in current assets:		
Stores and spares	(250,054)	(148,729)
Stock in trade	(2,762,546)	(1,583,177)
Trade debts	(470,695)	1,088,229
Loans and advances	(8,476)	140,463
Deposits and prepayments	(87,678)	(84,002)
Other receivables	275,987	(442,108)
(Decrease)/ increase in current liabilities:	·	
Trade and other payables	(2,716,894)	39,704
	(6,020,356)	(989,620)
Changes in long term loans and advances	(554)	2,866
Changes in long term deposits and prepayments	1,279	(1,504)
	(1,215,972)	4,238,171
· ·	=	

### 14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

the related parties are as follows.	June 30, 2006	June 30, 2005	
	(Rupees '000)		
Associates			
Fauji Foundation Office rent	1 770	1 520	
Bonus shares issued	1,772	1,538 421,892	
Dividends paid	1,061,564	768,563	
Sale of fertilizer	-	420	
Medical services	4	_	
Goods sold to the project	_	664	
Balance receivable, unsecured	903	702 *	
Mari Gas Company Limited			
Purchase of gas as feed and fuel stock	3,871,181	3,180,801	
Balance payable, unsecured	379,262	348,511 *	
Haldor Topsoe A/s, Denmark	0.040	7.000	
Technical services received Catalyst purchased	8,040 104,575	7,866 185,708	
Catalyst purchased	104,575	100,700	
Pak Kuwait Investment Company (Pvt) Limited			
Financial charges on loan	10,212	7,234	
Principal repayment	22,858	22,858	
Loan and financial charges payable Dividends paid	233,580 238	257,000	
Dividends paid	230	_	
Actis			
Dividends paid	6,728	-	
Maroc Phosphore S.A., Morocco			
Raw material purchased	3,059,350	2,654,402	
Balance payable, unsecured	1,164,019	1,077,141 *	
Pakistan Maroc Phosphore S.A., Morocco			
Balance of advance against issue of shares	1,101,761	1,101,761 *	
Other related parties			
Remuneration to chief executive and other executives			
Remuneration including benefits and perquisites of Chief Executive and other executives. No of persons 2006: 2			
and 346. (2005: 2 and 264) respectively.	424 700	200 400	
Payment to:	431,728	288,499	
Employees' Provident Fund Trust	67,453	57,322	
Employees' Gratuity Fund Trust	50,499	41,179	
Employees' Pension Fund Trust	36,438	33,178	

<sup>\*</sup> Comparative figures of receivable/payable balances are as of December 31, 2005.

#### 15. **GENERAL**

- The Board of Directors of FFC in their meeting held on July 31, 2006 proposed a second interim divided of Rs. 2.00 per share while a dividend of Re.0.5 per share has been proposed by the Board of Directors of FFBL on July 25, 2006.
- 15.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 15.3 These consolidated financial statements have been authorised for issue by the Board of Directors of FFC on July 31, 2006.

Chairman



