

Half Yearly Report

for the period ended June 30, 2012



Rising to the World...



Contents

- 02 Company Information
- 04 Directors' Report to the Members
- 07 Auditors' Review Report to the Members on
Condensed Interim Financial Information
- 08 Condensed Balance Sheet
- 10 Condensed Interim Profit and Loss Account
- 11 Condensed Interim Statement of Comprehensive Income
- 12 Condensed Interim Statement of Changes in Equity
- 13 Condensed Interim Cash Flow Statement
- 14 Selected Explanatory Notes to Condensed Interim Financial Information

Company Information

Board of Directors

Mr. Arif Habib
Chairman

Mr. Fawad Ahmed Mukhtar
Chief Executive Officer

Mr. Fazal Ahmed Sheikh

Mr. Faisal Ahmed Mukhtar

Mr. M. Abad Khan

Mr. Muhammad Kashif Habib

Mr. Jørgen Nergaard Gøl

Mr. Amir Shehzad
Nominee Director - NBP

Key Management

Mr. Qadeer Ahmed Khan
Director Special Projects

Mr. Arif-ur-Rehman
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Haroon Waheed
Group Head Human Resource

Mr. Mohammad Abdul Wahab
Chief Financial Officer

Mr. Ausaf Ali Qureshi
Company Secretary

Mr. Iftikhar Mahmood Baig
General Manager Business Development

Mr. Asad Murad
Head of Internal Audit

Mr. Shahid Saeed
Head of Information Technology

Mr. Javed Akbar
Head of Procurement

Audit Committee

Mr. Muhammad Kashif Habib
Chairman

Mr. Fazal Ahmed Sheikh
Member

Mr. Faisal Ahmed Mukhtar
Member

Mr. Amir Shehzad
Member

Mr. M. Abad Khan
Member

Human Resource and Remuneration Committee

Mr. M. Abad Khan
Chairman

Mr. Jørgen Nergaard Gøl
Member

Mr. Muhammad Kashif Habib
Member

Mr. Faisal Ahmed Mukhtar
Member

Legal Advisors

M/s. Chima & Ibrahim
Advocates

1-A/ 245, Tufail Road
Lahore Cantt.

Auditors

M. Yousuf Adil Saleem & Company
Chartered Accountants, Lahore.

(A member firm of Deloitte Touche
Tohmatsu)

134-A, Abubakar Block,
New Garden Town, Lahore.
Tel: No. 92-42-35913595-7
Fax: No. 92-42-35864021

Registrar & Share Transfer Agent

THK Associates (Pvt) Limited
Ground Floor, State Life Building-3,
Dr. Ziauddin Ahmed Road,
Karachi - 75530.
Tel: No. 92-21-111-000-322
Fax: No. 92-21-35655595

Bankers

Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank of Punjab
BankIslami Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
Silk Bank Limited
United Bank Limited
The Bank of Khyber
Pak China Investment Company Limited ("NBFI")
Pak Libya Holding Company (Pvt) Limited ("NBFI")
Saudi Pak Industrial & Agricultural Investment Company Limited ("NBFI")

Registered Office / Head Office

E-110, Khayaban-e-Jinnah,
Lahore Cantt., Pakistan.
UAN: 111FATIMA (111-328-462)
Fax: 042-36621389

Plant Site

Mukhtar Garh, Sadiqabad,
Distt. Rahim Yar Khan,
Pakistan.
Tel: 068-5786910
Fax: 068-5786909

Directors' Report to the Members

Dear Shareholders,

On behalf of Board of Directors of Fatima Fertilizer Company Limited, I am pleased to present the un-audited financial statements of the Company along with Auditors' Review Report thereon for the first six months ended June 30, 2012.

First six months of the year have seen Fertilizer sector going through ups and downs in terms of off-take and financial performance. First quarter was full of uncertainty and performance was far below expectation by all major Fertilizer Companies, while second quarter was expected to improve on the back of Kharif season. Rumors relating to changes in Sales tax rates and speculative environment prior to announcement of Fiscal Budget hampered the fertilizer sales, however subsequent to Budget announcement things settled down and market showed a positive trend.

During the period under review, Fertilizer industry faced numerous challenges including but not limited to continuous gas curtailment, imposition of gas development surcharge, irrational availability of cheap imported Urea and upsurge in the locally manufactured fertilizer prices.

In spite of all above mentioned challenges, it gives us immense pleasure to announce that your Company performed well and reported a post-tax profit of PKR 2.6 billion in the first half of the year. Net revenue during the period was recorded at PKR 13 billion, having highest contribution from Urea of 38% while CAN and NP contributed 34% and 28% respectively. Administrative and distribution cost increased in line with the revenue during the current quarter compared with the first quarter.

Product wise sales during the six months remained as under:

Product	Jan to Jun – 2012 “000” Tons	Jan to Jun – 2011 “000” Tons
Urea	170	225
CAN	185	169
NP	87	7

The nitrogen market and primarily Urea remained under pressure on account of large inventory buildup following a weak Rabi season. National Industry stocks swelled to a record million tons during April 2012 on the back of large imports by the Government. Sales hence remained under pressure throughout the first half. Hence our Urea sales declined by 24% compared to last year. The popularity of granular CAN has contributed to increasing our sales by 9.5%. With increased production our sales were significantly higher than last year.

During the second quarter, NP was supported by a major farmer promotion campaign with significant media advertising. Sales in the first half indicate that our share of the phosphate market has grown significantly. We continued to consolidate our technical services performance and augmenting our channel penetration.

The ongoing Kharif season seems a challenge for the industry as the paucity of water may impact the area under cultivation. The extended winter has already impacted the BT cotton sowing in most parts of Sind and south Punjab.

During the period under review, your Company repaid loans worth PKR 10,770 million and redeemed preference shares worth PKR 2 billion while acquiring new facility amounting to PKR 6,000 million at economical mark-up rate. Moreover, the Company also converted 50% of its Preference shares into Ordinary shares at a value of PKR 20 per share. Dividend to minority shareholders amounting to PKR 412 million was distributed and Mark up payment of PKR 2.18 billion was made to the consortium of Banks. Repayment of expensive loans and recent announcement of reduction in interest rates is expected to have a favorable impact on the Company's profitability in future.

All the plants have worked smoothly and achieved production levels as per the targets. The production achieved during the period is as under:

Product	Jan to Jun – 2012 “000” Tons	Jan to Jun – 2011 “000” Tons
Ammonia	240	178
Urea	196	206
Nitric Acid	217	112
CAN	204	162
NP	138	10

Ammonia Plant test run under KBR's presence was completed successfully. Annual Turnaround has been rescheduled from April-May to Sep' 2012 and the tenure has been revised to 10 days instead of the previous 20 days. Cooling Tower performance emerged as a concern due to fouling of its fills. Necessary immediate operational measures have been taken to sustain operation. Also permanent solution is partly implemented while remaining is expected to complete by end Oct' 2012.

Implementation of Clean Development Mechanism (CDM) project has been completed and production of CER's has started from April 1st, however, revenue recognition will commence subsequent to certification from Designated Operational entity and issuance of CERs by CDM Executive Board of the UN.

Effective operation and utilization of Oracle Financials, Purchasing, HRMS, Oracle Asset Management and Oracle Supply Chain Management has improved the Management Information System. Implementation of Oracle Manufacturing module was achieved as per plan and it will further strengthen the decision making and information system positively.

Acknowledgements

The Board places on record its gratitude for the hard work and dedication of every employee of the Company. The Board also appreciates and acknowledges the assistance, guidance and cooperation of all stakeholders including the Government of Pakistan, financial institutions, commercial banks, business associates, customers and all others whose efforts and contributions strengthened the Company.

For and on behalf of the Board

Copenhagen
August 27, 2012

sd/-
Arif Habib
Chairman

Auditors' Review Report to the Members on Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Fatima Fertilizer Company Limited (the Company) as at June 30, 2012, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof, for the six-months period then ended (here-in-after referred to as "the condensed interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2012 and June 30, 2011 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2012.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of the persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months period ended June 30, 2012 is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to the contents of note 5 to this condensed interim financial information. As fully explained in the said note, the Company has not created capital redemption reserve fund due to inconsistency between the requirements of IFRSs and the Companies Ordinance, 1984. Our opinion is not qualified in respect of this matter.



Chartered Accountants
Engagement Partner:
Talat Javed

Lahore

Date: August 30, 2012

Condensed Interim Balance Sheet

as at June 30, 2012

	Note	Un audited June 30, 2012 (Rupees in thousand)	Audited December 31, 2011
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,100,000,000 (2011: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
400,000,000 (2011: 400,000,000) preference shares of Rs 10 each		4,000,000	4,000,000
Issued, subscribed and paid up capital 2,100,000,000 (2011: 2,000,000,000) ordinary shares of Rs 10 each	4	21,000,000	20,000,000
Nil (2011: 400,000,000) preference shares of Rs 10 each	5	-	4,000,000
Share premium		1,790,000	790,000
Accumulated profit		2,643,001	3,264,865
		25,433,001	28,054,865
NON CURRENT LIABILITIES			
Long term finance	6	28,902,723	34,457,218
Dividend payable on preference shares		1,485,793	1,270,163
Markup payable on loans from related party		1,264,766	947,056
Deferred taxation		2,973,472	1,704,264
Employee retirement benefits		114,290	102,754
		34,741,044	38,481,455
CURRENT LIABILITIES			
Current maturity of long term loans	6	3,816,993	3,032,833
Short term finance-secured	7	3,410,060	-
Trade and other payables		3,287,903	4,650,956
Accrued finance cost		2,246,861	1,890,932
Dividend payable on ordinary shares		2,600,132	-
Provision for taxation		364,243	236,207
		15,726,192	9,810,928
CONTINGENCIES & COMMITMENTS	8		
		75,900,237	76,347,248

The annexed explanatory notes from 1 to 21 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

	Note	Un audited June 30, 2012 (Rupees in thousand)	Audited December 31, 2011
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	66,177,848	66,827,913
Capital work in progress	10	1,670,376	1,387,735
		67,848,224	68,215,648
Long term loans and deposits		12,528	5,481
		67,860,752	68,221,129
CURRENT ASSETS			
Stores and spares	11	2,619,228	1,930,679
Stock in trade	12	2,588,340	1,215,014
Trade debtors		423,379	195,840
Loans, advances, deposits, prepayments and other receivables		1,234,262	945,225
Cash and bank balances		1,174,276	3,839,361
		8,039,485	8,126,119
		75,900,237	76,347,248

Sd/-
Director

Condensed Interim Profit and Loss Account (Un Audited)

For the six months period ended June 30, 2012

	Note	Three months ended		Six months ended	
		June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
(Rupees in thousand)					
Sales	13	9,261,827	-	12,608,427	-
Cost of sales	14	3,466,377	-	4,428,161	-
Gross profit		5,795,450	-	8,180,266	-
Distribution cost		(544,542)	-	(677,908)	-
Administrative expenses		(214,535)	(43,534)	(330,078)	(80,642)
		5,036,373	(43,534)	7,172,280	(80,642)
Finance cost	15	(1,543,752)	(427)	(2,996,283)	(3,343)
Other operating expenses		(193,092)	-	(227,662)	-
		3,299,529	(43,961)	3,948,335	(83,985)
Other operating income		18,318	11,823	42,674	14,536
Profit / (loss) before taxation		3,317,847	(32,138)	3,991,009	(69,449)
Taxation	16	(1,161,694)	(42,301)	(1,397,243)	(83,267)
Profit / (loss) for the period		2,156,153	(74,439)	2,593,766	(152,716)
Earnings / (loss) per share:					
- basic (Rupees)	17	1.05	(0.04)	1.28	(0.08)
- diluted (Rupees)		1.05	(0.03)	1.28	(0.06)

The annexed explanatory notes from 1 to 21 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Comprehensive Income (Un Audited) For the six months period ended June 30, 2012

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(Rupees in thousand)			
Profit / (Loss) for the period	2,156,153	(74,439)	2,593,766	(152,716)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	2,156,153	(74,439)	2,593,766	(152,716)

The annexed explanatory notes from 1 to 21 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Changes in Equity

For the six months period ended June 30, 2012

	Ordinary Share Capital	Preference Share Capital	Share Premium	Accumulated profit / (loss)	Total
(Rupees in thousand)					
Balance as at December 31, 2010 (audited)	20,000,000	4,000,000	790,000	(531,220)	24,258,780
Loss for the period	-	-	-	(152,716)	(152,716)
Other comprehensive income	-	-	-	-	-
	-	-	-	(152,716)	(152,716)
Balance as at June 30, 2011 (un audited)	20,000,000	4,000,000	790,000	(683,936)	24,106,064
Profit for the period	-	-	-	4,269,691	4,269,691
Other comprehensive income	-	-	-	-	-
	-	-	-	4,269,691	4,269,691
Dividend on preference shares	-	-	-	(320,890)	(320,890)
Balance as at December 31, 2011 (audited)	20,000,000	4,000,000	790,000	3,264,865	28,054,865
Transactions with owners:					
- Final dividend for the year ended December 31, 2011 @ Rs 1.5 per share	-	-	-	(3,000,000)	(3,000,000)
- Conversion of 200,000,000 preference shares into ordinary shares @ Rs 20 per share	1,000,000	(2,000,000)	1,000,000	-	-
- Redemption of 200,000,000 preference shares at par	-	(2,000,000)	-	-	(2,000,000)
Profit for the period	-	-	-	2,593,766	2,593,766
Other comprehensive income	-	-	-	-	-
	-	-	-	2,593,766	2,593,766
Dividend on preference shares	-	-	-	(215,630)	(215,630)
Balance as at June 30, 2012 (un audited)	21,000,000	-	1,790,000	2,643,001	25,433,001

The annexed explanatory notes from 1 to 21 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Cash Flow Statement (Un Audited)

For the six months period ended June 30, 2012

	Note	June 30, 2012 (Rupees in thousand)	June 30, 2011
Cash flows from operating activities			
Cash generated from operations	19	3,894,703	845,474
Finance cost paid		(2,322,644)	(3,343)
Taxes paid		(147,598)	(109,336)
Employee retirement benefits paid		(7,193)	(3,717)
Net cash from operating activities		1,417,268	729,078
Cash flows from investing activities			
Fixed capital expenditure		(371,008)	(1,872,277)
Trial run gain		-	4,123,187
Finance cost paid		-	(3,311,446)
Proceeds from disposal of property plant and equipment		3	66
Net proceeds from disposal of short term investments		-	(100,000)
Net (increase)/decrease in long term loans and deposits		(7,047)	10,586
Profit received on saving accounts		55,842	-
Net cash used in investing activities		(322,210)	(1,149,884)
Cash flows from financing activities			
Redemption of preference shares		(2,000,000)	-
Repayment of long term finance		(10,770,335)	-
Proceeds from long term finance		6,000,000	40,761
Dividend paid		(399,868)	-
Increase in short term finance - net		3,410,060	766,434
Net cash (used in) / from financing activities		(3,760,143)	807,195
Net (decrease) / increase in cash and cash equivalents		(2,665,085)	386,389
Cash and cash equivalents at beginning of the period		3,839,361	283,289
Cash and cash equivalents at end of the period		1,174,276	669,678

The annexed explanatory notes from 1 to 21 form an integral part of this condensed interim financial information.

Sd/-
Chief Executive

Sd/-
Director

Notes to and Forming Part of the Condensed Interim Financial Statement (Un Audited) For the six months period ended June 30, 2012

1. Legal status and nature of business

Fatima Fertilizer Company Limited ('The Company'), was incorporated in Pakistan on December 24, 2003 as a public company under the Companies Ordinance, 1984. The Company's shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. Further, on March 09, 2011, the Company has launched American Depository Receipts (ADR) tradable at over the counter (OTC) market at New York Stock Exchange, USA. The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Registered office of the Company is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facility of the company is located in Sadiqabad.

2. Basis of preparation

2.1 This condensed interim financial information of the Company for the six months period ended June 30, 2012 has been prepared in accordance with the requirements of the International Accounting Standard - 34: "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 This condensed interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2011. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended December 31, 2011 and comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement are stated from un-audited condensed interim financial information for the half year ended June 30, 2011.

2.3 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.

2.4 This condensed interim financial information is un-audited. However, a limited scope review has been performed by the statutory auditors of the company in accordance with the clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon.

3. Accounting policies and estimates

The accounting policies, related judgments, estimates and related assumptions adopted for the preparation of this condensed interim financial statements are the same as those applied in the preparation of annual financial statements of the Company for the year ended December 31, 2011.

4. Issued, subscribed and paid up capital

Un audited June 30, 2012 (Number of shares)	Audited December 31, 2011 (Number of shares)		Un audited June 30, 2012 (Rupees in thousand)	Audited December 31, 2011 (Rupees in thousand)
2,100,000,000	2,000,000,000	Ordinary shares of Rs 10 each fully paid in cash	21,000,000	20,000,000

4.1 Movement in issued, subscribed and paid up capital

2,000,000,000	2,000,000,000	Opening balance	20,000,000	20,000,000
100,000,000	-	Ordinary shares issued on conversion of 200,000,000 preference shares @ Rs 20 each	1,000,000	-
2,100,000,000	2,000,000,000	Closing balance	21,000,000	20,000,000

5. Preference shares

On May 10, 2012, the Company has converted 200 million preference shares into 100 million ordinary shares at conversion price of Rs 20/- per share yielding a premium of Rs 1 billion. The conversion price was agreed with the preference shareholders as the higher of Rs 20/- or at a discount of 20 percent to the weighted average quoted price of sixty days from the date of notice.

Ordinary shares issued in lieu of preference shares rank pari passu in every respect except they will not be eligible for the dividend declared by the company for the year ended December 31, 2011.

On the same date, the Company has also redeemed 200 million preference shares at par according to the terms of the issue of preference shares.

There exists a conflict between relevant International Financial Reporting Standards (IFRSs) and the Companies Ordinance, 1984 (the Ordinance), on the classification of preference shares, whereby the preference shares may be treated as non current liabilities according to IFRS while as per the Ordinance these are treated as Equity.

The matter regarding the classification of preference shares (redeemable/convertible) in the financial statements either as non current liability or equity had already been referred to the Institute of Chartered Accountants of Pakistan (ICAP). After thorough examination of the matter, ICAP has identified the inconsistencies between the requirements of International Accounting Standard 32 "Financial Instruments: Presentation" and relevant sections of the Ordinance and has suggested to the Securities and Exchange Commission of Pakistan (SECP) to make necessary amendments in the Ordinance and/or to issue clarification in order to remove these inconsistencies between the Ordinance and IFRSs.

The management is of the view that it is more appropriate that the redeemed Preference shares be treated as non current liabilities in accordance with IFRS, therefore has opted not to create the capital redemption reserve fund.

Notes to and Forming Part of the Condensed Interim Financial Statement (Un Audited)
For the six months period ended June 30, 2012

	Note	Un audited June 30, 2012 (Rupees in thousand)	Audited December 31, 2011
6. Long Term Finance			
These are composed of:			
Secured loans from Banking Companies / Financial institutions	6.1	28,204,151	32,974,486
Unsecured loans from Pakarab Fertilizer Limited (PFL) - the associate	6.5	4,515,565	4,515,565
		32,719,716	37,490,051
Less: Current portion shown under current liabilities		3,816,993	3,032,833
		28,902,723	34,457,218

6.1 Movement of long term finances - from Banking Companies / Financial Institutions

	Note	Un audited June 30, 2012 (Rupees in thousand)	Audited December 31, 2011
Opening balance		32,974,486	32,930,965
Finance availed during the period	6.2	6,000,000	43,521
		38,974,486	32,974,486
Less: repayments during the period	6.3	10,770,335	-
		28,204,151	32,974,486

6.2 During the period the company has entered into Syndicated Term Finance Agreement (STFA) of Rs 6,000 million for the purpose of refinancing a portion of its existing long term finance.

The facility carries markup at the rate of 6 months Karachi Interbank Offered Rate (KIBOR) plus 1.5% per annum and is payable over a period of four years in eight half yearly installments starting from November 27, 2012.

The facility is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 8,000 million.

6.3 The Company has repaid Commercial Facility (CF) amounting to Rs 4,496 million and New Facilities (NF I and NF II) amounting to Rs 5,481.585 million from its own sources together with refinance facility of Rs 6,000 million. The facilities carried markup at 6 months Karachi Interbank Offered Rate (KIBOR) plus 3.75% per annum.

6.4 The installment of Rs 792.750 million due on Senior Facility of Rs 23,000 million was also paid during the period.

6.5 The markup payable on loans from related party have been reclassified from current to non-current after an agreement for deferment of payment. The reclassified amount is Rs 947.056 million.

	Note	Un audited June 30, 2012 (Rupees in thousand)	Audited December 31, 2011
7. Short term finance – secured			
Cash Finance	7.1	3,100,761	-
Running Finance	7.2	309,299	-
		3,410,060	-

7.1 These facilities have been obtained from various banks for working capital requirements, and are secured by pledge of raw material and finished goods and by personal guarantees of sponsoring directors.

The facilities carry mark up ranging from 13.02% to 14.04% (December 31, 2011: 14.67% to 16.03%) per annum.

7.2 These facilities have been obtained from various banks for working capital requirements, and are secured by Pari Passu charge of Rs 3,403 million (December 31, 2011: Rs 3,403 million) on present and future current assets.

The facilities carry mark up ranging from 14.02% to 14.04% (December 31, 2011: 13.92% to 15.79%) per annum.

7.3 The aggregate unavailed short term borrowing facilities amount to Rs 4,148 million (December 31, 2011: 3,300 million).

8. Contingencies and commitments

8.1 Contingencies

Post dated cheques not accounted for in the financial statements, submitted by the Company to the Collector of Customs to cover excess import levies on plant and machinery amounting to Rs 13.975 million (December 31, 2011: Rs 13.935 million).

8.2 Commitments in respect of

(i) Contracts for capital expenditure Rs 41.72 million (December 31, 2011: Rs 35.253 million).

(ii) Contracts for other than capital expenditure Rs 2,236.86 million (December 31, 2011: Rs 636.699 million).

(iii) The amount of future payments under non cancellable operating leases and the period in which these payments will become due are as follows:

	Un audited June 30, 2012 (Rupees in thousand)	Audited December 31, 2011
Not later than over year	49,611	4,360
Later than one year but not later than five years	62,534	-
	112,145	4,360

Notes to and Forming Part of the Condensed Interim Financial Statement (Un Audited)
For the six months period ended June 30, 2012

Note	Un audited June 30, 2012	Audited December 31, 2011
	(Rupees in thousand)	
9. Property, plant and equipment		
Opening book value	66,827,913	875,984
Add: additions during the period	88,367	66,700,311
Less: book value of disposals during the period	9	156
	66,916,271	67,576,139
Less: depreciation charged during the period	738,423	786,226
Closing book value	66,177,848	66,789,913
Additions during the period		
Freehold land	1,629	13,919
Building	-	2,912,597
Plant and machinery	54,302	63,642,350
Furniture and fixtures	6,598	8,316
Office equipment	3,515	2,681
Electric installations and appliances	18,763	83,042
Computers	3,465	6,739
Vehicles	95	30,667
	88,367	66,700,311
10. Capital work in progress		
- Civil works	193,711	152,632
- Plant and machinery	1,174,197	996,052
- Advances	302,468	239,051
	1,670,376	1,387,735
10.1 Advances		
- Freehold land	128,661	80,992
- Civil works	6,109	8,158
- Plant and machinery	44,650	33,414
- Software	23,048	16,487
- Others	100,000	100,000
	302,468	239,051
11. Stores and spares		
Stores	590,306	280,489
Spares	1,148,426	780,296
Catalyst and chemicals	880,496	869,894
	2,619,228	1,930,679

	Un audited June 30, 2012	Audited December 31, 2011
	(Rupees in thousand)	
12. Stock in trade		
Raw material	355,489	426,660
Packing material	48,891	41,211
Mid Products		
Ammonia	10,646	13,147
Nitric Acid	12,134	14,829
Polished Water	356	-
	23,136	27,976
Finished goods		
Urea	237,330	774
NP	1,819,261	718,220
CAN	104,233	173
	2,160,824	719,167
	2,588,340	1,215,014

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(Rupees in thousand)			
13. Sales				
Fertilizer products	9,659,946	-	13,025,732	-
Less:				
- discount	398,119	-	398,119	-
- sale incentive	-	-	19,186	-
	398,119	-	417,305	-
	9,261,827	-	12,608,427	-

Notes to and Forming Part of the Condensed Interim Financial Statement (Un Audited)
For the six months period ended June 30, 2012

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2011	June 30, 2011
	(Rupees in thousand)			
14. Cost of sales				
Raw material consumed	1,350,889	-	2,219,764	-
Packing material consumed	181,203	-	297,138	-
Salaries, wages and other benefits	266,485	-	456,414	-
Fuel and power	663,507	-	1,346,326	-
Chemicals and catalyst consumed	181,785	-	226,272	-
Stores and spares consumed	120,293	-	197,273	-
Technical assistance	7,504	-	33,829	-
Repair and maintenance	48,997	-	81,862	-
Insurance	93,254	-	173,061	-
Travelling and conveyance	15,453	-	25,016	-
Equipment rental	18,309	-	37,515	-
Vehicle running and maintenance	11,101	-	20,821	-
Depreciation	356,156	-	712,082	-
Toll manufacturing cost	9,542	-	9,542	-
Others	14,713	-	28,062	-
Manufacturing cost	3,339,191	-	5,864,977	-
Opening stock of mid products	8,556	-	27,975	-
Closing stock of mid products	(23,136)	-	(23,136)	-
Cost of goods manufactured	3,324,611	-	5,869,816	-
Opening stock of finished goods	2,302,589	-	719,168	-
Closing stock of finished goods	(2,160,823)	-	(2,160,823)	-
	3,466,377	-	4,428,161	-
15. Finance costs				
Markup on Long term loans	1,160,319	-	2,407,568	-
Markup on loans from associated company	150,479	-	317,710	-
Markup on short term loans	140,432	-	175,263	-
Bank charges and others	92,522	427	95,742	3,343
	1,543,752	427	2,996,283	3,343
16. Income tax				
Current	94,385	42,021	128,035	82,987
Deferred	1,067,309	280	1,269,208	280
	1,161,694	42,301	1,397,243	83,267

17. Earnings / (loss) per share - basic and diluted

The calculation of basic and diluted earnings / (loss) per share is based on the following data:

	Three months ended		Six months ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(Rupees in thousand)			
Profit / (loss)				
Profit / (loss) for the purpose of basic and diluted earnings / (loss) per share	2,156,153	(74,439)	2,593,766	(152,716)
	(Number of shares)			
Weighted average number of shares				
Ordinary shares for the purpose of basic and diluted earnings / (loss) per share	2,057,142,857	2,000,000,000	2,028,571,429	2,000,000,000
Potential Ordinary Shares on conversion of Preference Shares	-	368,053,000	-	368,053,000
Ordinary Shares for diluted earnings / (loss) per share	2,057,142,857	2,368,053,000	2,028,571,429	2,368,053,000

Basic and diluted earnings / (loss) per share has been computed by dividing profit / (loss) as stated above with weighted average number of ordinary shares.

	(Rupees)			
Basic earnings / (loss) per share	1.05	(0.04)	1.28	(0.08)
Diluted earnings / (loss) per share	1.05	(0.03)	1.28	(0.06)

18. Transactions with related parties

The related parties comprise the associated undertakings, directors and other key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Other significant transactions with related parties are as follows:

Relationship with the Company	Nature of transaction	Six months ended	
		June 30, 2012	June 30, 2011
		(Rupees in thousand)	
Associated companies	Toll manufacturing	9,542	53,588
	Miscellaneous expenses	257,375	117,190
	Sale of fertilizer	13,145	457,294
	Purchase of raw material	300,153	-
	Sale of stores and spares	6,941	32,406
	Interest expense	317,710	369,752
	Dividend on Preference Shares	215,630	331,359
Key management personnel	Remuneration including benefits and perquisites	31,493	14,063
	Retirement benefit plans	30,603	23,297

Notes to and Forming Part of the Condensed Interim Financial Statement (Un Audited)
For the six months period ended June 30, 2012

	Six months ended	
	June 30, 2012	June 30, 2011
	(Rupees in thousand)	
19. Cash generated from operations		
Profit/(Loss) before tax	3,991,009	(69,449)
Adjustments for :		
Retirement benefits accrued	18,729	1,510
Depreciation on property, plant and equipment	738,423	1,886
Finance costs	2,996,283	3,343
Loss on disposal of property, plant and equipment	7	42
Unrealized gain on remeasurement of held for trading investment	-	(509)
Gain on disposal of investments	-	(817)
Profit on bank deposits	(41,168)	-
	3,712,274	5,455
Operating cash flows before working capital changes	7,703,283	(63,994)
Effect on cash flow due to working capital changes		
(Increase)/Decrease in current assets		
Loans, advances, deposits, prepayments and other receivables	(156,113)	(186,912)
Stock in trade	(1,373,326)	(876,125)
Stores and spares	(688,549)	(934,684)
Trade debtors	(227,539)	140,111
(Decrease) / increase in creditors, accrued and other liabilities	(1,363,053)	2,767,078
	(3,808,580)	909,468
	3,894,703	845,474

20. Date of Authorization for Issue

This condensed interim financial information has been approved for issue by the Board of Directors of the Company and authorized for issue on August 27, 2012.

21. General

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

Sd/-
Chief Executive

Sd/-
Director

www.fatima-group.com



Fatima Fertilizer Company Limited

E 110, Khayaban-e-Jinnah,
Lahore Cantt. Lahore 54000
Pakistan.