

Driving Sustainable Growth

Condensed Interim Financial Statements
For the six months ended June 30, 2016



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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. Peter Vang Christensen

Mr. Tariq Jamali

Nominee Director-NBP

Chief Financial Officer

Mr. Asad Murad

Company Secretary

Mr. Ausaf Ali Qureshi

Key Management

Mr. Arif-ur-Rehman

Chief Manufacturing Officer

Mr. Inam-Ullah-Naveed

Director Operations

Mr. Haroon Waheed

Group Head of HR

Mr. Iftikhar Mahmood Baig

Director Business Development

Mr. Javed Akbar

Head of Procurement

Mr. Qadeer Ahmed Khan

Director Special Projects

Mr. Ahsen-ud-Din

Director Technology Division

Dr. Fuad Imran Khan

Chief Information Officer

Mr. Kashif Mustafa Khan

Incharge of Internal Audit

Mr. Asghar Naveed

Corporate HSE Manager

Audit Committee Members

Mr. Muhammad Kashif Habib

Chairman

Mr. Peter Vang Christensen

Member

Mr. Faisal Ahmed Mukhtar

Member

Mr. M. Abad Khan

Member

Mr. Tariq Jamali

Member

HR and Remuneration Committee Members

Mr. M. Abad Khan

Chairman

Mr. Peter Vang Christensen

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

Deloitte Yousuf Adil
Chartered Accountants
(A member firm of Deloitte Touche
Tohmatsu Limited)

134-A, Abubakar Block,
New Garden Town, Lahore
Ph: +92 (0) 42 35913595 - 7,
42 35440520

Fax: +92 (0) 42 35440521
Web: www.deloitte.com.pk

Registrar and Share Transfer

Agent

Central Depository Company of
Pakistan Limited
Share Registrar Department
CDC House, 99 – B, Block 'B',
S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.

Tel: Customer Support Services
(Toll Free) 0800-CDCPL (23275)
Fax: (92-21) 34326053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
BankIslami Pakistan Limited
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Pak China Investment Company
Limited ("NBFI")

Pak Libya Holding Company
Limited ("NBFI")
Saudi Pak Industrial & Agricultural
Investment Company Limited
("NBFI")
Sindh Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan)
Limited
Summit Bank Limited
The Bank of Khyber
The Bank of Punjab
United Bank Limited

Registered Office / Head Office

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

Plant Site

Mukhtar Garh, Sadiqabad,
Distt. Rahim Yar Khan,
Pakistan.
Tel: 068-5951000
Fax: 068-5951166

Directors' Report to the Members

Dear Shareholders,

On behalf of the Board of Directors of Fatima Fertilizer Company Limited, I am pleased to present the un-audited financial statements of the Company along with the Auditor's Review Report for the six months ended June 30, 2016 along with brief overview of operational and financial performance of the Company.

Market Overviews - Global

World fertilizer demand is foreseen as rebounding in later 2016. Demand in 2016-17 is expected to be influenced by persistent low (but probably no longer declining) crop prices and rebounding economic growth in emerging economies. Assuming no major negative changes to agricultural market fundamentals, a progressive change in fertilizer subsidy rates in India to support balanced fertilization and continuous improvement of N and P use efficiency in China, global fertilizer demand is forecasted to expand by 1.9% in 2016-17.

Phosphates:

Plentiful supply has caused phosphate prices to fall despite reasonably robust demand across the globe and moves by some producers to adjust output to limit extra supply, notably Chinese manufacturers. Despite the generally positive drivers, the issue in international market remains that supply is outstripping demand thereby placing constant pressure on prices and not allowing them to move up in line with seasonal demand.

The market going forward is supported by solid demand in all key regions, namely India, Pakistan, Turkey and America. Prices continue to hover around FOB China \$330-\$338. In India the Monsoon made landfall this month and the Government is expecting much improved crop production following the back to back drought over the past two years.

Nitrogen:

In international market, Urea prices drifted further down in June 2016. Pressure came largely from Egypt that was proving to be more competitive in Turkey, where sales were being made at \$190 FOB. The downward pressure on prices reflected further in Middle East FOB \$203- \$215.

India has as yet not stepped into the market and several supply sources including Iran, Middle East, North Africa and China are ready and waiting for when the tender emerges.

Market Overview - Pakistan:

In Pakistan, via Federal Budget 2016-17, the Government has subsidized the prices of Urea and DAP fertilizers at Rs 1400 and Rs 2500 per bag respectively. As a result, prices of all fertilizer products decreased significantly in June due to farmer incentives from Government, as compared with earlier months in 2016.

The DAP market increased by 2.9% to 0.48 million tons in 1st half of 2016 from 0.47 million tons in the same period last year. This was primarily on account of the subsidy announcement by Government.

The Urea market decreased by 36% to 1.82 million tons in 1st half of 2016 as compared to 2.87 million tons in the same period last year. Slowdown of the off take resulted due to market expectation of a significant decrease in prices to be announced by the Government and poor commodity prices resulting in decreased purchasing power of the farmer.

The Government of Pakistan is expected to continue the subsidy on fertilizers in 2016-2017 that has resulted in far lower overall Farmer Prices than they were through 2015.

Company Performance:

Slow off take situation in the fertilizer market which impacted the first quarter of the year persisted till the end of the second quarter resulting in 31% decline in sales volume of the Company. This was predominantly due to expectation of implementation of a farmer incentives plan by the Government leading to decrease in fertilizer prices for the farmers. After implementation of farmer incentives plan announced by the Federal Government, effective 25th June 2016, fertilizers off take situation has improved considerably in the local market.

During 1st half of 2016, the phosphates market posted a remarkable increase of 22% on the back of the continued subsidy given by the Government leading to decreased prices for farmers. In line with the overall decrease in the Nitrogen market, CAN sales registered a drop of 40% over 1st half of 2015; however, Urea sales has witnessed further decrease. Both CAN and Urea are expected to rebound and show substantial growth in sales in Q3 2016 and onwards due to farmer price reduction incentives announced by Government in June 2016.

Sales Volume

Products	Jan to Jun - 2016 ("000" Tons)	Jan to Jun - 2015
Urea	74	214
Can	127	213
NP	208	170
Total	409	597

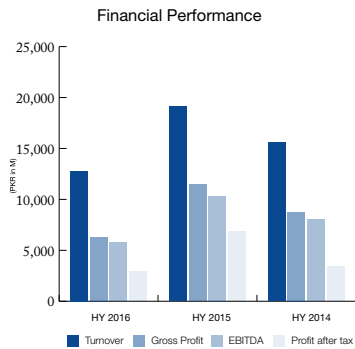
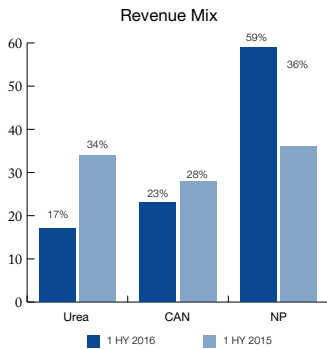
In spite of adverse performance of the market, the positive steps at the manufacturing side continued to yield impressive results. The Company achieved highest ever production in a six-month period with all plants performing better than expectations.

As envisaged post Ammonia Plant Debottlenecking, Ammonia Plant production and energy index improved further with successful commissioning of Waste Gas Boiler (WGB) at the end of April 2016. After the commissioning of the WGB the feed fuel ratio has also improved considerably. Efficient performance of New / Revamped Cooling Tower and Cold Box, also helped to achieve production levels close to rated winter production even in summers.

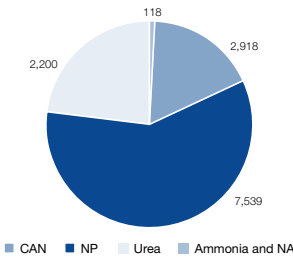
Products	Jan to Jun - 2016 ("000" Tons)	Jan to Jun - 2015
Ammonia	300	274
Nitric Acid	262	254
Urea	257	223
CAN	238	231
NP	209	197

Revenue for the period dropped by 33% to PKR 12.78 Billion against PKR 19.1 Billion posted over the same period last year due to decline in sale volumes for reasons explained above. NP has been the lead contributor with 59% contribution to revenue while the contribution of Urea and CAN was 17% and 23% respectively. Nitric Acid (NA) sales made up the rest of 1%.

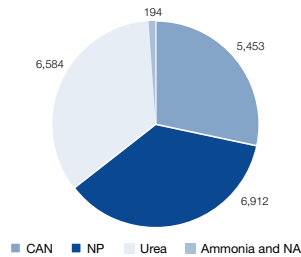
Directors' Report to the Members



Sales Mix HY, 2016 (PKR in M)



Sales Mix HY, 2015 (PKR in M)



Gross Profit margin for the quarter declined by 44.8% to close at PKR 6.3 Billion against PKR 11.5 billion for the same period last year. Distribution Expenses decreased by 17.4% while Administrative Expenses have increased by 10.5% over the same period last year.

Finance Cost increased by 2% compared to the same period last year. The reduction in base rate coupled with repayment of long term loans resulted in 37% reduction in markup expense on long term loans which was eroded by rise in markup cost on short term borrowings. Incremental short term bank borrowings were utilized to meet the increased working capital requirements during slow off take situation in first half of the year.

As a result, the Company has posted Profit before Tax of PKR 3.57 Billion with 56.8% reduction and After Tax Profit of PKR 2.96 Billion lower by 56.7% earned during the same period last year.

First half of Year-2016 remained progressive, sustainable yet challenging with the increasing trend of Safe Million Man-hours of 33.53 and TRIR of 0.236. The "Annual HSE Award Ceremony-2015" was organized by the QHSET Department on 18th March 2016 in recognition of the employees and contractors' commitment to Health, Safety and Environment programs.

Fatima Fertilizer's site won the "International Safety Award" by British Safety Council's and "Fire and Safety Award 2016" by National Forum for Environment and Health for the second time. This was the acknowledgement and recognition of site at both national and international level.

Seven office buildings were re-certified for the Green Office Program by WWF Pakistan and successfully retained the IMS Certification in Re-Certification Audit by SGS Pakistan.

Consolidated Financial Results

Fatimafert Limited (FFL) and Bubber Sher (Private) Limited are the wholly owned subsidiaries of the Company. FFL is primarily engaged in the manufacturing and sale of Urea. During 1st half of 2016, FFL produced 157,237 MT Urea. Due to slow off take situation of fertilizers in the local market, FFL could sell only 35,855 MT Urea. With remarkable improvement of off take situation after implementation of farmer incentives plan, FFL expects to sell available quantities of Urea in 2nd half of 2016. Summary of consolidated financial results at the end of June 30, 2016 is as follows:

	PKR in Million
Sales	14,023
Gross Profit	6,544
Profit Before Tax	3,481
Profit After Tax	2,847

Future Outlook

Fertilizer demand is forecasted to contract in Oceania while it is seen as stable in Western and Central Europe. Easing economic conditions in Brazil and Argentina may result in strong rebound of demand in Latin America. Demand would also rebound firmly in West Asia, presuming no disturbance from weather conditions. Growth would remain modest in North America and East Asia, as fertilizer use efficiency improvement influences the outlook. Firm expansion is forecasted in Eastern Europe and Central Asia, South Asia and Africa. The largest changes in volume may be seen in Latin America and South Asia, followed by East Asia. We therefore are optimistic of healthy performance of the Company in the medium term.

Some additional DBN Jobs have been planned for execution in 2017 to further optimize and ensure stable plant operation. Implementation of 'CAN Bulk Exchange Cooler project' has increased CAN Plant capacity during summer season. Optimizations on NP Plant's Neutralization section has realized impressive results leading to availability of some additional quantity Ammonia.

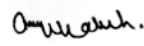
Due to announcement of incentives from Government to farmers, off take situation has witnessed a considerable surge. With availability of stocks of all the products and efficient plant operations, the Company is well placed to meet the fertilizers demand in the country leading to improved values for its stakeholders.

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

Lahore
August 18, 2016


Arif Habib
Chairman

Fatima Fertilizer Company Limited
Condensed Interim
Financial Statements

For the six months ended June 30, 2016

Auditors' Report to the Members on Review of

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, 2016, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts, 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 condensed 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 condensed 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, 2016 and June 30, 2015 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2016.

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, 2016 is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner:
Rana M Usman Khan

Date: August 18, 2016
Lahore

Condensed Interim Balance Sheet

As at June 30, 2016

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,500,000,000 (December 31, 2015: 2,500,000,000) shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up capital 2,100,000,000 (December 31, 2015: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Share premium		1,790,000	1,790,000
Post retirement benefit obligation reserve		(30,437)	(30,437)
Unappropriated profit		20,444,300	17,468,946
		43,203,863	40,228,509
NON CURRENT LIABILITIES			
Long term finances	4	12,711,101	13,168,124
Deferred liabilities	5	15,425,327	15,411,918
Long term deposits		34,867	33,003
		28,171,295	28,613,045
CURRENT LIABILITIES			
Trade and other payables		8,703,338	8,645,991
Accrued finance cost		280,055	260,003
Short term finances - secured	6	15,879,865	10,229,486
Current maturity of long term finance	4	7,198,617	6,812,119
		32,061,875	25,947,599
CONTINGENCIES & COMMITMENTS			
	7		
		103,437,033	94,789,153

The annexed explanatory notes from 1 to 23 form an integral part of these condensed interim financial statements.



Chief Executive

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	74,119,094	73,409,090
Intangible assets	9	19,905	26,370
		74,138,999	73,435,460
Long term investments		2,106,450	2,106,450
Long term deposits		19,278	18,530
		76,264,727	75,560,440
CURRENT ASSETS			
Stores and spares	10	4,772,746	4,460,204
Stock in trade	11	8,614,999	7,002,664
Trade debts		622,292	335,002
Short term loans to associated companies		3,499,000	2,700,000
Loans, advances, deposits, prepayments and other receivables	12	8,459,875	4,435,640
Short term investment		200,030	-
Cash and bank balances		1,003,364	295,203
		27,172,306	19,228,713
		103,437,033	94,789,153



Director

Condensed Interim Profit and Loss Account (Un Audited)

For the six months ended June 30, 2016

	Note	Three month ended		Six month ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
(Rupees in thousand)					
Sales	13	7,515,436	9,806,666	12,775,609	19,143,061
Cost of sales	14	(3,921,841)	(3,727,741)	(6,444,829)	(7,683,727)
Gross profit		3,593,595	6,078,925	6,330,780	11,459,334
Distribution cost		(618,025)	(530,128)	(872,211)	(1,055,867)
Administrative expenses		(426,532)	(231,072)	(653,414)	(591,375)
		2,549,038	5,317,725	4,805,155	9,812,092
Finance cost	15	(663,509)	(607,052)	(1,299,691)	(1,270,010)
Other operating expenses		(142,019)	(338,353)	(264,632)	(628,320)
		1,743,510	4,372,320	3,240,832	7,913,762
Other income		194,840	168,485	349,205	356,969
Profit before tax		1,938,350	4,540,805	3,590,037	8,270,731
Taxation		(88,108)	(127,196)	(614,683)	(1,442,759)
Profit for the period		1,850,242	4,413,609	2,975,354	6,827,972
Earnings per share					
- basic and diluted (Rupees)	17	0.88	2.10	1.42	3.25

The annexed explanatory notes from 1 to 23 form an integral part of these condensed interim financial statements.



Chief Executive



Director

Condensed Interim Statement of Comprehensive Income (Un Audited)

For the six months ended June 30, 2016

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(Rupees in thousand)			
Profit for the period	1,850,242	4,413,609	2,975,354	6,827,972
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	1,850,242	4,413,609	2,975,354	6,827,972

The annexed explanatory notes from 1 to 23 form an integral part of these condensed interim financial statements.



Chief Executive



Director

Condensed Interim Statement of Changes in Equity

For the six months ended June 30, 2016

	Ordinary share capital	Share premium	Post retirement benefit obligation reserve	Un appropriated profit	Total
(Rupees in thousand)					
Balance as at December 31, 2014 (Audited)	21,000,000	1,790,000	(23,311)	13,990,335	36,757,024
Profit for the period	-	-	-	6,827,972	6,827,972
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	6,827,972	6,827,972
Transactions with owners:					
-Final dividend for the year ended December 31,2014 @ Rs 2.75 per share	-	-	-	(5,775,000)	(5,775,000)
Balance as at June 30, 2015 (Un audited)	21,000,000	1,790,000	(23,311)	15,043,307	37,809,996
Balance as at December 31, 2015 (Audited)	21,000,000	1,790,000	(30,437)	17,468,946	40,228,509
Profit for the period	-	-	-	2,975,354	2,975,354
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,975,354	2,975,354
Balance as at June 30, 2016 (Un audited)	21,000,000	1,790,000	(30,437)	20,444,300	43,203,863

The annexed explanatory notes from 1 to 23 form an integral part of these condensed interim financial statements.



Chief Executive



Director

Condensed Interim Cash Flow Statement (Un Audited)

For the six months ended June 30, 2016

	Note	June 30, 2016	June 30, 2015
(Rupees in thousand)			
Cash flows from operating activities			
Cash (used in) / generated from operations	18	(515,063)	7,560,532
Net increase in long term deposits		1,864	-
Finance cost paid		(1,294,077)	(1,385,552)
Taxes paid		(513,168)	(249,621)
Employee retirement benefits paid		(17,616)	(11,221)
Net cash (used in) / from operating activities		(2,338,060)	5,914,138
Cash flows from investing activities			
Additions in property, plant and equipment		(1,586,166)	(1,803,533)
Additions in intangible assets		(2,999)	(14,669)
Short term loans to associated companies - net		(799,000)	(90,000)
Proceeds from disposal of property plant and equipment		109	106
Net increase in long term deposits		(748)	(803,902)
Short term investment		(200,030)	-
Profit received on short term loans and saving accounts		55,201	232,933
Net cash used in investing activities		(2,533,633)	(2,479,065)
Cash flows from financing activities			
Repayment of long term finances		(3,695,994)	(3,087,574)
Proceeds from long term finances		3,625,469	1,118,598
Dividend paid		-	(5,584,084)
Increase in short term finance - net		5,650,379	3,673,029
Net cash from / (used in) financing activities		5,579,854	(3,880,031)
Net increase / (decrease) in cash and cash equivalents		708,161	(444,958)
Cash and cash equivalents at the beginning of the period		295,203	948,807
Cash and cash equivalents at the end of the period		1,003,364	503,849

The annexed explanatory notes from 1 to 23 form an integral part of these condensed interim financial statements.



Chief Executive



Director

Notes to and forming part of the Condensed Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

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 is listed on Pakistan Stock Exchange.

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 at Mukhtargarh, Sadiqabad, Pakistan.

These financial statements are the separate financial statements of the Company in which investments in subsidiary companies and associate are accounted for on the basis of direct equity interest rather than on the basis of reported result. Consolidated financial statements are prepared separately.

2. Basis of preparation

- 2.1 These condensed interim financial statements of the Company for the six months ended June 30, 2016 have 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 These condensed interim financial statements do 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, 2015. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended December 31, 2015 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 statements for the six months ended June 30, 2015.
- 2.3 These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3. Accounting policies and estimates

The accounting policies, related judgments, estimates and related assumptions adopted for the preparation of these 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, 2015.

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
4. Long term finances			
Secured loans from banking companies / financial institutions	4.1	19,909,718	19,980,243
Less: Current portion shown under current liabilities		7,198,617	6,812,119
		12,711,101	13,168,124
4.1 Movement of long term finances			
- from Banking companies / Financial institutions			
Opening balance		19,980,243	23,710,339
Finance availed during the period	4.2	3,625,469	2,645,026
		23,605,712	26,355,365
Less: repayments during the period		3,695,994	6,375,122
		19,909,718	19,980,243

4.2 During the period, the Company availed following facilities:

- Disbursement of the remaining USD 5.988 million out of total approved ECA Financing Facility of USD 22 million from Standard Chartered Bank (UK) for the purpose of purchase of Waste Gas Boiler and Purifier with Expander for Ammonia Debottlenecking (DBN) Project.
- Term Finance Facility of Rs 3,000 million from Habib Bank Limited to partially refinance the Ammonia Debottlenecking Project.

The facility carries markup rate of 6 months KIBOR plus 1.25% per annum. The facility is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 4,000 million. The loan is repayable in four years in eight half yearly installments starting from December 31, 2016.

Notes to and forming part of the Condensed Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
5. Deferred liabilities			
Deferred taxation	5.1	15,045,037	15,062,090
Employee retirement benefits	5.2	380,290	349,828
		15,425,327	15,411,918
5.1 Deferred taxation			
This is composed of the following:			
Taxable temporary difference:			
Accelerated tax depreciation		15,095,387	15,109,567
Deductible temporary differences:			
Provision for retirement benefits		(35,983)	(32,646)
Remeasurement of defined benefit obligation		(14,367)	(14,831)
		(50,350)	(47,477)
		15,045,037	15,062,090
5.2 Employee retirement benefits			
Gratuity		269,902	247,810
Accumulating compensated absences		110,388	102,018
		380,290	349,828

6. Short term finances

The Company has obtained short term financing facilities from various banks for working capital requirements in the nature of Running Finance, Cash Finance and Financing against Imported Merchandise.

These facilities are secured by Pari Passu charge on present and future current assets of the Company with 25% margin over financed amount, pledge of raw material, finished goods and personal guarantees of sponsoring directors.

These facilities carry mark up ranging from 6.67% to 8.36% (December 31, 2015: 6.81% to 10.90%) per annum for Running Finance and Cash Finance and 6.75% to 7.59% (December 31, 2015: 2.15% to 7.59%) per annum for Finance against Imported Merchandise.

7. Contingencies and commitments

7.1 Contingencies

As at June 30, 2016, there is no material change in the status of contingencies as reported in the notes to the financial statements of the Company for the year ended December 31, 2015, except for the following:

- (i) The Company's stance was vindicated by Commissioner Inland Revenue Appeals (CIR(A)), as he annulled the order passed by Deputy Commissioner Inland Revenue (DCIR), Multan creating a demand of Rs 759 million along with 100% penalty by treating the stocks of finished fertilizer products transferred to Company warehouses as sales without any cogent legal grounds.

The decision has been challenged by the department in appeal before Appellate Tribunal Inland Revenue.

7.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 204.022 million (December 31, 2015: Rs 1,041.900 million).
- (ii) Contracts for other than capital expenditure Rs 119.186 million (December 31, 2015: Rs 220.344 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:

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
Not later than one year		202,935	149,948
Later than one year but not later than five years		140,439	206,211
		343,374	356,159
8. Property, plant and equipment			
Operating fixed assets - tangible	8.1	71,054,429	69,390,580
Capital work in progress	8.2	3,064,665	4,018,510
		74,119,094	73,409,090

Notes to and forming part of the Condensed Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
8.1 Movement of operating fixed assets - tangible			
Opening book value		69,390,580	65,945,226
Add: additions during the period	8.1.1	2,554,449	5,090,025
Less: book value of disposals during the period		–	59
		71,945,029	71,035,192
Less: depreciation charged during the period		890,600	1,644,612
Closing book value		71,054,429	69,390,580
8.1.1 Additions during the period			
Building		64,304	347,466
Plant and machinery		2,394,931	4,469,611
Furniture and fixtures		4,198	8,958
Office equipment		4,108	7,684
Electric installations and appliances		48,553	113,135
Computers		24,001	110,656
Vehicles		14,354	32,515
		2,554,449	5,090,025
8.2 Capital work in progress			
Civil works		518,933	447,175
Plant and machinery		1,730,804	2,168,583
Capital stores		315,608	303,897
Advances			
Freehold land		159,758	159,758
Civil works		5,769	4,832
Plant and machinery		33,793	634,265
Other advances		300,000	300,000
		499,320	1,098,855
		3,064,665	4,018,510
8.2.1 Movement of capital work in progress			
Opening balance		4,018,510	2,877,944
Additions during the period		1,561,894	5,395,102
		5,580,404	8,273,046
Less: capitalization during the period		2,515,739	4,254,536
Closing balance		3,064,665	4,018,510

	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)		
9. Intangible assets		
Opening book value	26,370	30,083
Add: additions during the period	2,999	14,669
	29,369	44,752
Less: amortization charged during the period	9,464	18,382
Closing book value	19,905	26,370
10. Stores and spares		
Stores	234,232	237,058
Spares	3,697,993	3,268,315
Catalyst and chemicals	840,521	954,831
	4,772,746	4,460,204
11. Stock in trade		
Raw material {including in-transit Rs 1,470.216 million (December 31, 2015: Rs 1,670.775 million)}	2,174,171	2,766,315
Packing material	34,573	1,017
Mid Products		
Ammonia	20,044	23,906
Nitric Acid	4,735	5,264
Others	352	287
	25,131	29,457
Finished Products		
Urea	2,642,597	836,002
NP	2,317,358	2,495,358
CAN	1,366,444	817,676
Emission reductions	54,725	56,839
	6,381,124	4,205,875
	8,614,999	7,002,664

Notes to and forming part of the Condensed Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

12. Loans, advances, deposits, prepayments and other receivables

These include short term loans aggregating to Rs 3,114.486 million given to Fatimafert Limited (a wholly owned subsidiary).

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
(Rupees in thousand)				
13. Sales				
Fertilizer Products - own manufactured	7,079,706	9,816,029	12,215,298	19,025,847
Subsidy from Government of Pakistan	602,876	-	877,521	-
Mid products	64,448	53,475	117,865	181,421
	7,747,030	9,869,504	13,210,684	19,207,268
Less : Discounts	231,594	62,838	435,075	64,207
	7,515,436	9,806,666	12,775,609	19,143,061

13.1 Sales are exclusive of sales tax of Rs 2,299.767 million (June 30, 2015: Rs 3,262.343 million).

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
(Rupees in thousand)				
14. Cost of sales				
Raw material consumed	1,660,456	1,725,648	3,521,550	3,551,943
Packing material consumed	214,307	176,783	406,361	392,914
Salaries, wages and other benefits	564,722	423,342	990,996	939,925
Fuel and power	911,072	1,026,072	1,944,276	1,891,137
Chemicals and catalyst consumed	101,382	116,611	200,560	231,451
Stores and spares consumed	142,203	195,591	324,562	367,224
Technical assistance	15,592	18,518	29,828	31,207
Repair and maintenance	66,723	61,787	133,759	102,039
Insurance	38,169	62,670	78,864	133,949
Travelling and conveyance	22,090	37,550	51,834	61,684
Equipment rental	3,074	7,542	4,189	9,181
Vehicle running and maintenance	9,502	13,976	18,544	25,957
Depreciation	435,383	396,268	858,490	789,216
Others	27,786	26,447	51,939	48,919
Manufacturing cost	4,212,461	4,288,805	8,615,752	8,576,746
Opening stock of mid products	27,632	34,687	29,457	23,785
Closing stock of mid products	(25,131)	(35,208)	(25,131)	(35,208)
Cost of goods manufactured	4,214,962	4,288,284	8,620,078	8,565,323
Opening stock of finished goods	6,088,003	666,373	4,205,875	345,320
Closing stock of finished goods	(6,381,124)	(1,226,916)	(6,381,124)	(1,226,916)
	3,921,841	3,727,741	6,444,829	7,683,727

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(Rupees in thousand)			
15. Finance cost				
Markup on long term finances	371,870	562,032	761,431	1,209,795
Markup on short term finances	252,235	32,191	464,447	38,886
Interest on Worker Profit Participation Fund	8,094	–	9,597	–
Markup on short term deposit from subsidiary company	–	–	8,912	–
Bank charges and others	31,310	12,829	55,304	21,329
	663,509	607,052	1,299,691	1,270,010

16. 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:

	Nature of transaction	Six months ended	
		June 30, 2016	June 30, 2015
		(Rupees in thousand)	
Relationship with the Company			
Subsidiary company	Finance cost	8,912	–
	Other income	26,743	–
	Short term loans	3,114,486	–
Associated companies	Short term loan	799,000	90,000
	Toll manufacturing	–	770,845
	Miscellaneous expenses	83,068	75,161
	Sale of product	–	2,031
	Purchase of raw / packing material	636,543	455,418
	Other income	123,638	192,325
Directors and key management personnel	Remuneration including benefits and perquisites	102,860	102,761
Retirement benefit plans	Retirement benefit expense	71,857	51,856

Notes to and forming part of the Condensed Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

17. Earnings per share - basic and diluted

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(Rupees in thousand)			
Profit attributable to ordinary shareholders	1,850,242	4,413,609	2,975,354	6,827,972
	(Number of shares)			
Weighted average number of shares	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	0.88	2.10	1.42	3.25

	Six months Ended	
	June 30, 2016	June 30, 2015
	(Rupees in thousand)	
18. Cash generated from operations		
Profit before tax	3,590,037	8,270,731
Adjustments for:		
Depreciation on property, plant and equipment	890,600	807,244
Amortization of intangible assets	9,464	8,999
Finance cost	1,299,691	1,270,010
Provision for staff retirement benefits	48,078	31,046
Profit on short term loan to subsidiary and associated companies	(150,381)	(192,325)
Profit on saving accounts	(9,910)	(29,384)
Gain on disposal of property plant and equipment	(109)	(78)
	2,087,433	1,895,512
Operating cash flows before working capital changes	5,677,470	10,166,243
Effect on cash flow due to working capital changes:		
(Increase)/decrease in current assets:		
Stores and spares	(312,542)	(709,007)
Stock in trade	(1,612,335)	(395,234)
Trade debts	(287,290)	(23,375)
Loans, advances, deposits, prepayments and other receivables	(4,037,713)	(294,825)
Increase/(decrease) in creditors, accrued and other liabilities	57,347	(1,183,270)
	(6,192,533)	(2,605,711)
	(515,063)	7,560,532

19. Financial instruments

The carrying amounts of financial assets and financial liabilities as at June 30, 2016 and as at December 31, 2015 are approximate at their fair values.

20. Reclassification

Corresponding figures have been reclassified where necessary to reflect more appropriate presentation of events and transactions for the purpose of presentation.

From	To	Reason	(Rupees in thousand)
Stores and spares - Spares	Capital work in progress - capital stores	For better presentation	303,897
Distribution cost	Sales	For better presentation	343,155
Administrative expenses	Cost of Sales - Salaries, wages and other benefits	For better presentation	115,862
	Cost of Sales - Fuel and power	For better presentation	60,411
	Cost of Sales - Technical assistance	For better presentation	844
	Cost of Sales - Repair and maintenance	For better presentation	33,848
	Cost of Sales - Insurance	For better presentation	44
	Cost of Sales - Travelling and conveyance	For better presentation	9,699
	Cost of Sales - Equipment rental	For better presentation	2,020
	Cost of Sales - Vehicle running and maintenance	For better presentation	12,439
	Cost of Sales - Depreciation	For better presentation	33,301
	Cost of Sales - Others	For better presentation	25,085

21. Post Balance Sheet event

The Board of Directors in its meeting held on August 18, 2016 proposed interim dividend of Rs 1.25 per share for the year ending December 31, 2016, amounting to Rs 2,625 million (December 31, 2015: Rs Nil).

22. Date of Authorization of Issue

These financial statements have been authorized for issue on August 18, 2016 by the Board of Directors of the Company.

23. General

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



Chief Executive



Director

Fatima Fertilizer Company Limited
Condensed Interim Consolidated
Financial Statements

For the six months ended June 30, 2016

Condensed Interim Consolidated Balance Sheet

As at June 30, 2016

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized capital 2,500,000,000 (December 31, 2015: 2,500,000,000) shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up capital 2,100,000,000 (December 31, 2015: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Share premium		1,790,000	1,790,000
Post retirement benefit obligation reserve		(14,784)	(14,784)
Unappropriated profit		33,909,531	31,062,714
		56,684,747	53,837,930
NON CURRENT LIABILITIES			
Long term finances	4	17,177,101	17,634,124
Deferred liabilities	5	15,692,044	15,672,929
Long term deposits		44,176	42,312
		32,913,321	33,349,365
CURRENT LIABILITIES			
Trade and other payables		10,609,007	10,103,383
Accrued finance cost		390,467	389,807
Short term finances - secured	6	17,826,907	10,517,595
Current maturity of long term finance	4	7,198,617	6,812,119
		36,024,998	27,822,904
CONTINGENCIES & COMMITMENTS			
	7		
		125,623,066	115,010,199

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



Chief Executive

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	88,391,564	87,814,273
Intangible assets	9	5,921,278	5,928,128
		94,312,842	93,742,401
Long term investments		85,806	85,806
Long term deposits		19,804	19,146
		94,418,452	93,847,353
CURRENT ASSETS			
Stores and spares	10	5,453,765	5,138,010
Stock in trade	11	11,376,570	7,077,536
Trade debts		627,031	525,663
Short term loan to associated companies		3,499,000	2,700,000
Loans, advances, deposits, prepayments and other receivables		8,412,807	4,959,017
Short term investment		200,030	-
Cash and bank balances		1,635,411	762,620
		31,204,614	21,162,846
		125,623,066	115,010,199



Director

Condensed Interim Consolidated Profit and Loss Account (Un Audited)

For the six months ended June 30, 2016

	Note	Three month ended		Six month ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
(Rupees in thousand)					
Sales	12	8,645,001	9,806,666	14,022,579	19,143,061
Cost of sales	13	(4,727,921)	(3,727,741)	(7,479,004)	(7,683,727)
Gross profit		3,917,080	6,078,925	6,543,575	11,459,334
Distribution cost		(664,343)	(530,128)	(921,137)	(1,055,867)
Administrative expenses		(457,442)	(231,072)	(718,998)	(591,375)
		2,795,295	5,317,725	4,903,440	9,812,092
Finance cost	14	(772,151)	(607,052)	(1,494,528)	(1,270,010)
Other operating expenses		(142,019)	(338,353)	(264,632)	(628,320)
		1,881,125	4,372,320	3,144,280	7,913,762
Other income		174,122	168,485	337,214	356,969
Profit before tax		2,055,247	4,540,805	3,481,494	8,270,731
Taxation		(104,907)	(127,196)	(634,677)	(1,442,759)
Profit for the period		1,950,340	4,413,609	2,846,817	6,827,972
Earnings per share					
- basic and diluted (Rupees)	16	0.93	2.10	1.36	3.25

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



Chief Executive



Director

Condensed Interim Consolidated Statement of Comprehensive Income (Un Audited)

For the six months ended June 30, 2016

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(Rupees in thousand)			
Profit for the period	1,950,340	4,413,609	2,846,817	6,827,972
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	1,950,340	4,413,609	2,846,817	6,827,972

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



Chief Executive



Director

Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended June 30, 2016

	Ordinary share capital	Share premium	Post retirement benefit obligation reserve	Un appropriated profit	Total
(Rupees in thousand)					
Balance as at December 31, 2014 (Audited)	21,000,000	1,790,000	(23,311)	13,990,335	36,757,024
Profit for the period	-	-	-	6,827,972	6,827,972
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	6,827,972	6,827,972
Transactions with owners:					
-Final dividend for the year ended December 31,2014 @ Rs 2.75 per share	-	-	-	(5,775,000)	(5,775,000)
Balance as at June 30, 2015 (Un audited)	21,000,000	1,790,000	(23,311)	15,043,307	37,809,996
Balance as at December 31, 2015 (Audited)	21,000,000	1,790,000	(14,784)	31,062,714	53,837,930
Profit for the period	-	-	-	2,846,817	2,846,817
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,846,817	2,846,817
Balance as at June 30, 2016 (Un audited)	21,000,000	1,790,000	(14,784)	33,909,531	56,684,747

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



Chief Executive



Director

Condensed Interim Consolidated Cash Flow Statement (Un Audited)

For the six months ended June 30, 2016

	Note	June 30, 2016	June 30, 2015
(Rupees in thousand)			
Cash flows from operating activities			
Cash (used in) generated from operations	17	(1,788,679)	7,560,532
Net increase in long term deposits		1,864	0
Finance cost paid		(1,491,062)	(1,385,552)
Taxes paid		(488,960)	(249,621)
Employee retirement benefits paid		(26,023)	(11,221)
Net cash (used in) / from operating activities		(3,792,860)	5,914,138
Cash flows from investing activities			
Additions in property, plant and equipment		(1,599,445)	(1,803,533)
Additions in intangible assets		(2,999)	(14,669)
Short term loan to associated companies - net		(799,000)	(90,000)
Proceeds from disposal of property plant and equipment		478	106
Net (increase) in long term loans and deposits		(658)	(803,902)
Short term investment		(200,030)	-
Profit received on short term loans and saving accounts		28,518	232,933
Net cash used in investing activities		(2,573,136)	(2,479,065)
Cash flows from financing activities			
Repayment of long term finances		(3,695,994)	(3,087,574)
Proceeds from long term finances		3,625,469	1,118,598
Dividend paid		-	(5,584,084)
Increase in short term finances - net		7,309,312	3,673,029
Net cash from / (used in) financing activities		7,238,787	(3,880,031)
Net increase / (decrease) in cash and cash equivalents		872,791	(444,958)
Cash and cash equivalents at the beginning of the period		762,620	948,807
Cash and cash equivalents at the end of the period		1,635,411	503,849

The annexed explanatory notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.



Chief Executive



Director

Notes to and forming part of the Condensed Consolidated Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

1. Legal Status and nature of business

Fatima Fertilizer Company Limited (the Holding Company) and its wholly owned subsidiaries - Fatimafert Limited (FF) (formally DH Fertilizers Limited) and Buber Sher (Private) Limited (BSPL) collectively referred to as 'the Group' were incorporated in Pakistan under the Companies Ordinance, 1984. The Holding Company is listed on Pakistan Stock Exchange. The control of FF and BSPL was transferred to the Holding Company on July 01, 2015.

The principal activity of the Holding Company and FF is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Principal activity of BSPL is sale, marketing and distribution of fertilizers and its derivatives, insecticides, pesticides, and all kinds of agricultural, fruit growing and other chemicals.

Registered offices of the Holding Company, FF and BSPL are located in Lahore, Pakistan. The manufacturing facility of the Holding Company is located at Mukhtargarh, Sadiqabad, Pakistan and that of FF is located at Sheikhpura Road.

2. Basis of preparation

- 2.1 These condensed interim consolidated financial statements of the Group for the six months ended June 30, 2016 have 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 These condensed interim consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2015. Comparative condensed interim consolidated balance sheet is extracted from annual audited consolidated financial statements for the year ended December 31, 2015 and comparative condensed interim consolidated profit and loss account, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated cash flow statement are stated from un audited condensed interim financial statements for the six months ended June 30, 2015.
- 2.3 These condensed interim consolidated financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3. Accounting policies and estimates

The accounting policies, related judgments, estimates and related assumptions adopted for the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of annual consolidated financial statements of the company for the year ended December 31, 2015.

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
4. Long term finances			
Secured loans from banking companies / financial institutions			
Holding Company		19,909,718	19,980,243
Fatimafert Limited (formerly DH Fertilizer Limited)		4,466,000	4,466,000
	4.1	24,375,718	24,446,243
Less: Current portion shown under current liabilities		7,198,617	6,812,119
		17,177,101	17,634,124
4.1 Movement of long term finances - from Banking companies / Financial institutions			
Opening balance		24,446,243	23,710,339
Finance availed during the period		3,625,469	7,252,526
		28,071,712	30,962,865
Less: repayments during the period		3,695,994	6,516,622
		24,375,718	24,446,243

4.2 During the period, the Holding Company availed following facilities:

- Disbursement of the remaining USD 5.988 million out of total approved ECA Financing Facility of USD 22 million from Standard Chartered Bank (UK) for the purpose of purchase of Waste Gas Boiler and Purifier with Expander for Ammonia Debottlenecking (DBN) Project.
- Term Finance Facility of Rs 3,000 million from Habib Bank Limited to partially refinance the Ammonia Debottlenecking Project.

The facility carries markup rate of 6 months KIBOR plus 1.25% per annum. The facility is secured by first pari passu charge over all present and future fixed assets of the Company amounting to Rs 4,000 million. The loan is repayable in four years in eight half yearly installments starting from December 31, 2016.

Notes to and forming part of the Condensed Consolidated Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
5. Deferred liabilities			
Deferred taxation	5.1	15,252,533	15,262,064
Employee retirement benefits	5.2	439,511	410,865
		15,692,044	15,672,929
5.1 Deferred taxation			
This is composed of the following:			
Taxable temporary difference:			
Accelerated tax depreciation		15,320,975	15,328,178
Deductible temporary difference:			
Provision for retirement benefits and others		(54,075)	(51,283)
Remeasurement of defined benefit obligation		(14,367)	(14,831)
		(68,442)	(66,114)
		15,252,533	15,262,064
5.2 Employee retirement benefits			
Gratuity		274,109	252,017
Accumulating compensated absences		165,402	158,848
		439,511	410,865

6. Short term finances**Secured loans from Banking companies****6.1 Holding Company**

The Company has obtained short term financing facilities from various banks for working capital requirements in the nature of Running Finance, Cash Finance and Financing against Imported Merchandise.

These facilities are secured by Pari Passu charge on present and future current assets of the Company with 25% margin over financed amount, pledge of raw material, finished goods and personal guarantees of sponsoring directors.

These facilities carry mark up ranging from 6.67% to 8.36% (December 31, 2015: 6.81% to 10.90%) per annum for Running Finance and Cash Finance and 6.75% to 7.59% (December 31, 2015: 2.15% to 7.59%) per annum for Finance against Imported Merchandise.

6.2 Fatimafert Limited (formerly DH Fertilizer Limited)

The Company has obtained short term financing facilities from various banks for working capital requirements in the nature of Running Finance and Cash Finance.

These facilities are secured by way of pledge of stocks and hypothecation charge on all current and future current assets of the Company.

These facilities carry mark up ranging from 7.24% to 7.60% (December 31, 2015: 7.11% to 10.90%) per annum.

7. Contingencies and commitments

7.1 Contingencies

As at June 30, 2016, there is no material change in the status of contingencies as reported in the notes to the financial statements of the Company for the year ended December 31, 2015, except for the following:

- (i) The Company's stance was vindicated by Commissioner Inland Revenue Appeals (CIR(A)), as he annulled the order passed by Deputy Commissioner Inland Revenue (DCIR), Multan creating a demand of Rs 759 million along with 100% penalty by treating the stocks of finished fertilizer products transferred to Company warehouses as sales without any cogent legal grounds.

The decision has been challenged by the department in appeal before Appellate Tribunal Inland Revenue.

7.2 Commitments in respect of

Holding Company

- (i) Contracts for capital expenditure Rs 204.022 million (December 31, 2015: Rs 1,041.900 million).
- (ii) Contracts for other than capital expenditure Rs 119.186 million (December 31, 2015: Rs 220.344 million).

Notes to and forming part of the Condensed Consolidated Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

- (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, 2016	Audited December 31, 2015
(Rupees in thousand)		
Not later than one year	202,935	149,948
Later than one year but not later than five years	140,439	206,211
	343,374	356,159

7.3 Fatimafert Limited (formerly DH Fertilizer Limited)

- (i) Contracts for other than capital expenditure Rs 33.013 million (December 31, 2015: Rs 17.751 million).

	Note	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)			
8. Property, plant and equipment			
Operating fixed assets- tangible	8.1	84,960,642	83,429,526
Capital work in progress	8.2	3,430,922	4,384,747
		88,391,564	87,814,273
8.1 Movement of operating fixed assets- tangible			
Opening book value		83,429,526	65,945,226
Add: additions during the period	8.1.1	2,566,753	19,274,938
Less: book value of disposals during the period		174	641
		85,996,105	85,219,523
Less: depreciation charged during the period		1,035,463	1,789,997
Closing book value		84,960,642	83,429,526

	Un audited June 30, 2016	Audited December 31, 2015
(Rupees in thousand)		
8.1.1 Additions during the period		
Freehold land	–	1,164,000
Building	64,304	948,865
Plant and machinery	2,406,620	16,863,892
Furniture and fixtures	4,198	11,576
Office equipment	4,108	14,790
Electric installations and appliances	48,553	113,135
Computers	24,616	116,274
Vehicles	14,354	42,406
	2,566,753	19,274,938
8.2 Capital work in progress		
Civil works	525,040	453,282
Plant and machinery	1,884,989	2,315,720
Capital stores	521,573	516,890
Advances		
- Freehold land	159,758	159,758
- Civil works	5,769	4,832
- Plant and machinery	33,793	634,265
- Other advances	300,000	300,000
	499,320	1,098,855
	3,430,922	4,384,747
8.2.1 Movement of capital work in progress		
Opening balance	4,384,747	3,028,688
Addition during the period	1,561,914	5,610,595
	5,946,661	8,639,283
Less: capitalization during the period	2,515,739	4,254,536
Closing balance	3,430,922	4,384,747

Notes to and forming part of the Condensed Consolidated Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

	Un audited June 30, 2016	Audited December 31, 2015
	(Rupees in thousand)	
9. Intangible assets		
Opening book value	5,928,128	30,083
Add: additions during the period	3,234	5,917,048
	5,931,362	5,947,131
Less: amortization charged during the period	10,084	19,003
Closing book value	5,921,278	5,928,128
10. Stores and spares		
Stores	451,804	467,589
Spares	4,294,828	3,844,070
Catalyst and chemicals	840,521	954,831
	5,587,153	5,266,490
Less: provision for obsolete items	133,388	128,480
	5,453,765	5,138,010
11. Stock in trade		
Raw material {including in-transit Rs 1,470.216 million (December 31, 2015: Rs 1,670.775 million)}	2,174,171	2,766,315
Packing material	41,343	25,061
Mid Products		
Ammonia	85,396	71,975
Nitric Acid	4,735	5,264
Others	352	287
	90,483	77,526
Finished Products		
Urea	5,332,046	838,761
NP	2,317,358	2,495,358
CAN	1,366,444	817,676
Emission reductions	54,725	56,839
	9,070,573	4,208,634
	11,376,570	7,077,536

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(Rupees in thousand)			
12. Sales				
Fertilizer Products - own manufactured	8,063,566	9,816,029	13,254,680	19,025,847
Subsidy from Government of Pakistan	667,124	–	941,769	–
Mid products	145,905	53,475	261,205	181,421
	8,876,595	9,869,504	14,457,654	19,207,268
Less : Discounts	231,594	62,838	435,075	64,207
	8,645,001	9,806,666	14,022,579	19,143,061

12.1 Sales are exclusive of sales tax of Rs 2,381.796 million (June 30, 2015: Rs 3,262.343 million).

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(Rupees in thousand)			
13. Cost of sales				
Raw material consumed	3,549,748	1,725,648	6,056,254	3,551,943
Packing material consumed	276,246	176,783	497,233	392,914
Salaries, wages and other benefits	703,240	423,342	1,252,718	939,925
Fuel and power	1,290,700	1,026,072	2,456,499	1,891,137
Chemicals and catalyst consumed	125,107	116,611	245,557	231,451
Stores and spares consumed	191,885	195,591	385,587	367,224
Technical assistance	15,814	18,518	30,050	31,207
Repair and maintenance	50,804	61,787	141,141	102,039
Insurance	49,452	62,670	102,802	133,949
Travelling and conveyance	30,174	37,550	67,239	61,684
Equipment rental	6,097	7,542	9,253	9,181
Vehicle running and maintenance	12,481	13,976	24,584	25,957
Depreciation	506,682	396,268	1,001,107	789,216
Others	42,452	26,447	83,876	48,919
Manufacturing cost	6,850,882	4,288,805	12,353,900	8,576,746
Opening stock of mid products	66,622	34,687	77,526	23,785
Closing stock of mid products	(90,483)	(35,208)	(90,483)	(35,208)
Cost of goods manufactured	6,827,021	4,288,284	12,340,943	8,565,323
Opening stock of finished goods	6,971,473	666,373	4,208,634	345,320
Closing stock of finished goods	(9,070,573)	(1,226,916)	(9,070,573)	(1,226,916)
	4,727,921	3,727,741	7,479,004	7,683,727

Notes to and forming part of the Condensed Consolidated Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(Rupees in thousand)			
14. Finance cost				
Markup on long term finances	459,387	562,032	939,156	1,209,795
Markup on short term finances	272,940	32,191	490,051	38,886
Interest on Worker Profit Participation Fund	8,094	–	9,597	–
Bank charges and others	31,730	12,829	55,724	21,329
	772,151	607,052	1,494,528	1,270,010

15. 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:

	Nature of transaction	Six months ended	
		June 30, 2016	June 30, 2015
		(Rupees in thousand)	
Relationship with the Company			
Associated companies	Short term loan	799,000	90,000
	Toll manufacturing	–	770,845
	Miscellaneous expenses	97,689	75,161
	Sale of product	–	2,031
	Purchase of raw / packing material	693,704	455,418
	Other income	123,638	192,325
Directors and key management personnel	Remuneration including benefits and perquisites	107,880	102,761
Retirement benefit plans	Retirement benefit expense	90,398	51,856

16. Earnings per share - basic and diluted

	Three month ended		Six month ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(Rupees in thousand)			
Profit attributable to ordinary shareholders	1,950,340	4,413,609	2,846,817	6,827,972
	(Number of shares)			
Weighted average number of shares	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000
Basic and diluted earnings per share (Rupees)	0.93	2.10	1.36	3.25

	Six months Ended	
	June 30, 2016	June 30, 2015
	(Rupees in thousand)	
17. Cash generated from operations		
Profit before tax	3,481,494	8,270,731
Adjustments for:		
Depreciation on property, plant and equipment	1,035,463	807,244
Amortization of intangible assets	10,084	8,999
Finance cost	1,494,528	1,270,010
Provision for staff retirement benefits	54,668	31,046
Provision for slow moving stores, spares and loose tools	6,349	-
Profit on short term loan to associated company	(123,638)	(192,325)
Profit on saving accounts	(9,970)	(29,384)
Gain on disposal of property plant and equipment	(303)	(78)
	2,467,181	1,895,512
Operating cash flows before working capital changes	5,948,675	10,166,243
Effect on cash flow due to working capital changes: (Increase)/decrease in current assets:		
Stores and spares	(321,383)	(709,007)
Stock in trade	(4,299,034)	(395,234)
Trade debts	(101,370)	(23,375)
Loans, advances, deposits, prepayments and other receivables	(6,635,679)	(294,825)
Increase / (decrease) in creditors, accrued and other liabilities	3,620,112	(1,183,270)
	(7,737,354)	(2,605,711)
	(1,788,679)	7,560,532

Notes to and forming part of the Condensed Consolidated Interim Financial Statements (Un audited)

For the six months ended June 30, 2016

18. Post Balance Sheet event

The Board of Directors in its meeting held on August 18, 2016 proposed interim dividend of Rs 1.25 per share for the year ending December 31, 2016, amounting to Rs 2,625 million (December 31, 2015: Rs Nil).

19. Date of Authorization of Issue

These financial statements have been authorized for issue on August 18, 2016 by the Board of Directors of the Company.

20. General

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



Chief Executive

















Director



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