

Quarterly
Report

For the period ended
March 31, 2011

*Sarsabz
Pakistan...*

Nourishing soils for a greener revolution



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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. Syed Iqbal Ashraf
Nominee Director-NBP

Mr. Muhammad Jawaid Iqbal
Nominee Director-ABL

Key Management

Mr. Arif-ur-Rehman
Director Operations

Mr. Muhammad Zahir
Director Marketing

Mr. Tanvir H. Qureshi
Group Head of Human Resource

Mr. Iftikhar Mahmood Baig
Chief Financial Officer

Mr. Ausaf Ali Qureshi
Company Secretary

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. Muhammad Jawaid Iqbal
Member

Mr. M. Abad Khan
Member

Human Resource and Remuneration Committee

Mr. M. Abad Khan
Chairman

Mr. Muhammad Jawaid Iqbal
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, Multan.

(A member firm of Deloitte Touche
Tohmatsu)

Shares Registrar & 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

ADR Depository Bank

BNY Mellon, USA.

Bankers

Askari Bank Limited
Allied Bank Limited
Bank Alfalah Limited
Bank of Punjab
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
Faysal 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 / Head Office

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

Plant Site

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

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 Directors' Report thereon for the first quarter ended March 31, 2011.

Your Company became the first Pakistani company to launch an American Depositary Receipt (ADR) level 1 program in New York on March 9, 2011. BNY Mellon, the global leader in asset management and securities servicing, was selected by Fatima Fertilizer Company Limited as the depositary bank for its ADR program. Fatima ADRs will be traded on the over-the-counter (OTC) market in New York under the symbol "FTMFY." The program was duly approved by SEC of both USA and Pakistan as well as the State Bank of Pakistan.

As on March 31, 2011, the plant wise trial production is as follows:

Plant	Production (MT)
Urea	121,042
CAN	88,698
Nitric Acid	52,302
Ammonia	97,686

During the first quarter, Ammonia and Nitric Acid plants have operated stably at an average of 81% and 68% respectively of their design capacities whereas CAN has operated at 78% capacity. Urea plant has operated at average capacity of 100%. First Annual Turn Around has been completed successfully in the month of April 2011.

NP plant is in commissioning phase as construction activities are almost completed. Trial production of NP is expected to begin in second quarter of 2011.

The Natural Gas booster compressor at Mari Gas Fields is expected to become operational by mid of May 2011 which will increase the Natural Gas pressure.

Urea and CAN sales of PKR 4 billion were made during the first quarter. Continued strong demand from the market during Rabi buoyed sales with the company selling whatever was produced. Granular CAN continues to gain popularity. Loss after tax amounts to PKR 78.28 million which represents mainly administration related costs and minimum tax liability for the quarter. Trial run gain of PKR 2 billion has been capitalized in Capital Work in Progress. The Company has paid the due mark up on long term loans during current quarter.

Exemption from levy of General Sales Tax on fertilizer sales has been withdrawn by Government of Pakistan during the month of March 2011 resulting in increase in sale prices.

Short term credit lines from financial institutions have been arranged to meet the working capital requirements for smooth operations of the Company. The liquidity position of the Company would significantly improve once NP plant becomes operational.

The Company has entered the next phase of its migration from legacy system of financial reporting to Oracle Financials R 12 with implementation of other Oracle R 12 modules including Oracle Supply Chain Management, Oracle HRMS, Oracle Manufacturing and Oracle Enterprise Assets Management under way.

The directors would like to place on record their appreciation for the assistance, guidance and cooperation that your company received from all the stakeholders including the Customers, Business Associates, Financial Institutions, GOP and all the employees of the Company. Further the Directors also wish to record their appreciation for the hard work and dedication of all employees as the trial production phase of NP plant is now imminent.

For and on behalf of the Board

Lahore
April 29, 2011

Arif Habib
Chairman

Condensed Balance Sheet

as at March 31, 2011

	Note	Un audited March 31, 2011	Audited December 31, 2010
(Rupees in thousand)			
Equity and liabilities			
Share capital and reserves			
Authorized capital			
2,100,000,000 (2010: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
400,000,000 (2010: 400,000,000) preference shares of Rs 10 each		4,000,000	4,000,000
Issued, subscribed and paid up capital			
2,000,000,000 (2010: 2,000,000,000) ordinary shares of Rs 10 each	4	20,000,000	20,000,000
400,000,000 (2010: 400,000,000) preference shares of Rs 10 each	5	4,000,000	4,000,000
Share Premium		790,000	790,000
Accumulated loss		(609,497)	(531,220)
		24,180,503	24,258,780
Non current liabilities			
Long term finance	6	37,487,290	37,446,530
Dividend payable on preference shares		769,286	603,672
Employee retirement benefits		79,463	73,796
		38,336,039	38,123,998
Current liabilities			
Short term finance - secured		2,305,368	316,208
Trade and other payables		3,610,736	3,704,173
Accrued finance cost		2,315,913	2,989,396
Provision for taxation		105,449	64,483
		8,337,466	7,074,260
Contingencies & commitments	7		
		70,854,008	69,457,038

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Sd/-
Chief Executive

	Note	Un audited March 31, 2011 (Rupees in thousand)	Audited December 31, 2010
Assets			
Non current assets			
Property, plant and equipment	8	917,107	875,984
Capital work in progress	9	64,899,831	64,258,204
Deferred Tax asset		21,914	21,914
Long term loans and deposits		15,628	16,330
		65,854,480	65,172,432
Current assets			
Stores and spares		2,646,829	2,269,080
Stock in trade		1,079,917	535,825
Trade debts		38,495	256,548
Loans, advances, deposits, prepayments and other receivables		1,071,846	939,864
Cash and bank balances		162,441	283,289
		4,999,528	4,284,606
		70,854,008	69,457,038

Sd/-
Director

Condensed Interim Profit and Loss Account (Un Audited)

For the quarter ended March 31, 2011

	Note	March 31, 2011 (Rupees in thousand)	March 31, 2010
Administrative expenses		(37,108)	(26,398)
Finance costs		(2,916)	(550)
Other income		2,713	–
Loss before taxation		(37,311)	(26,948)
Taxation		(40,966)	–
Loss for the period		(78,277)	(26,948)
Loss per share - basic and diluted (Rupees)	10	(0.04)	(0.01)

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Comprehensive Income (Un Audited) ▲

For the quarter ended March 31, 2011

Note	March 31, 2011 (Rupees in thousand)	March 31, 2010
Loss for the period	(78,277)	(26,948)
Other comprehensive income	–	–
Total comprehensive loss for the period	(78,277)	(26,948)

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Cash Flow Statement (Un Audited)

For the quarter ended March 31, 2011

	Note	March 31, 2011	March 31, 2010
(Rupees in thousand)			
Cash flows from operating activities			
Cash used in operations	11	(928,393)	(255,225)
Interest received on bank deposit		2,713	-
Taxes paid		(36,353)	(8,571)
Employee retirement benefits paid		(1,251)	(6,089)
Net cash used in operating activities		(963,284)	(269,885)
Cash flows from investing activities			
Fixed capital expenditure		(959,274)	(2,253,803)
Trial run gain		2,030,803	-
Finance cost paid		(2,259,715)	(2,080,247)
Net decrease / (Increase) in long-term loans and deposits		702	(493)
Net cash used in investing activities		(1,187,484)	(4,334,543)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	2,790,000
Advance against preference shares		-	101,750
Proceeds from long term finance		40,760	1,535,689
Proceeds from short term finance		1,989,160	-
Net cash from financing activities		2,029,920	4,427,439
Net decrease in cash and cash equivalents		(120,848)	(176,989)
Cash and cash equivalents - at the beginning of the period		283,289	224,417
Cash and cash equivalents - at the end of the period		162,441	47,428

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Sd/-
Chief Executive

Sd/-
Director

Condensed Interim Statement of Changes in Equity (Un Audited)

For the quarter ended March 31, 2011

(Rupees in thousand)

	Share Capital	Preference Share Capital	Share Premium	Accumulated Loss	Total
Balance as at December 31, 2009 (Audited)	18,000,000	-	-	(257,212)	17,742,788
Issue of 200,000,000 ordinary shares of Rs 10 each fully paid in cash	2,000,000	-	790,000	-	2,790,000
Issue of 400,000,000 preference shares of Rs 10 each fully paid in cash	-	4,000,000	-	-	4,000,000
Loss for the period	-	-	-	(26,948)	(26,948)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(26,948)	(26,948)
Balance as at March 31, 2010 (Un audited)	20,000,000	4,000,000	790,000	(284,160)	24,505,840
Loss for the period	-	-	-	(247,060)	(247,060)
Balance as at December 31, 2010 (Audited)	20,000,000	4,000,000	790,000	(531,220)	24,258,780
Loss for the period	-	-	-	(78,277)	(78,277)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(78,277)	(78,277)
Balance as at March 31, 2011 (Un audited)	20,000,000	4,000,000	790,000	(609,497)	24,180,503

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Sd/-
Chief Executive

Sd/-
Director

Notes to and Forming part of the Condensed Interim Financial Statements

For the quarter ended March 31, 2011

1. Legal status and nature of business

Fatima Fertilizer Company Limited ('The Company'), was incorporated in Pakistan on December 24, 2003 as a non-listed public company under the Companies Ordinance, 1984. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals.

The Ammonia plant, Nitric Acid plant, Urea plant, Calcium Ammonium Nitrate (CAN) plant and related offsites and utilities are in operation, however still in trial run phase, while Nitro Phosphate (NP) plant and Nitro Phosphorus Potash (NPK) plant are in process of installation.

The registered office of the company is in Lahore.

2. Basis of preparation

This condensed interim financial information is un audited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial information of the Company for the quarter ended March 31, 2011 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 of and directives issued under the Companies Ordinance, 1984 have been followed. 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, 2010. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended December 31, 2010 and comparative interim profit and loss account, interim statement of comprehensive income, interim cash flow statement and interim statement of changes in equity are stated from un audited interim financial statements for quarter ended March 31, 2010.

3. Basis of measurement 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, 2010.

4. Issued, subscribed and paid up ordinary share capital

March 31, 2011 (Number of shares)	December 31, 2010 (Number of shares)		(Un audited) March 31, 2011 (Rupees in thousand)	(Audited) December 31, 2010 (Rupees in thousand)
2,000,000,000	2,000,000,000	Ordinary shares of Rs 10 each fully paid in cash	20,000,000	20,000,000

5. Preference share capital

March 31, 2011 (Number of shares)	December 31, 2010 (Number of shares)		(Un audited) March 31, 2011 (Rupees in thousand)	(Audited) December 31, 2010 (Rupees in thousand)
400,000,000	400,000,000	Preference shares of Rs 10 each fully paid in cash	4,000,000	4,000,000

6. Long term finance

These are composed of:

Secured loans from Banking companies /
Financial institutions:

Long Term Syndicated Loan (Senior Facility)
Commercial Facility (CF)
New Facility I (NF I)
New Facility II (NF II)

(Un audited)
March 31,
2011
(Rupees in thousand)

(Audited)
December 31,
2010
(Rupees in thousand)

22,996,901	22,996,901
4,496,000	4,496,000
3,559,824	3,519,064
1,919,000	1,919,000
32,971,725	32,930,965

Unsecured loans from
Pakarab Fertilizers Limited - the associate:

Bridge Finance (STFA)
Term loan

2,037,500	2,037,500
2,478,065	2,478,065
4,515,565	4,515,565

37,487,290	37,446,530
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Notes to and Forming part of the Condensed Interim Financial Statements

For the quarter ended March 31, 2011

7. Contingencies and commitments

7.1 Contingencies

Post dated cheques not provided for in the financial statements, furnished by the Company to the Collector of Customs to cover excess import levies on plant and machinery amounting to Rs 30.25 million (December 31, 2010: Rs 23.52 million).

The company has issued guarantee amounting to Rs. 200 million (December 31, 2010: Rs 200 million) in favour of Government of the Punjab for contribution towards Fatima Fertilizer Welfare Trust.

7.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 276.73 million (December 31, 2010: Rs 774.56 million).
- (ii) Contracts for other than capital expenditure Rs 564.24 million (December 31, 2010: Rs 728.80 million).
- (iii) Future payments under non cancellable operating leases payable not later than one year amount to Rs 5.19 million (December 31, 2010 : Rs 9.29 million).

	(Un audited) March 31, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
8. Property, plant and equipment		
Opening book value	875,984	684,940
Add: additions during the period	60,330	256,262
Less: disposals during the period	–	(2,295)
	936,314	938,907
Less: depreciation charged during the period	(19,207)	(62,923)
Closing book value	917,107	875,984
Additions during the period		
Freehold land	–	58,477
Furniture and fixtures	1,472	2,503
Office equipment	1,011	2,442
Electric installations and appliances	56,061	168,102
Computers	1,786	3,547
Vehicles	–	21,191
	60,330	256,262

		(Un audited) March 31, 2011	(Audited) December 31, 2010
(Rupees in thousand)			
9. Capital work in progress			
- Civil works		5,155,742	5,017,228
- Plant and machinery		44,935,460	44,244,582
- Un allocated expenditure	9.1	19,259,408	17,450,438
- Trial run gain	9.2	(4,792,330)	(2,761,527)
- Advances	9.3	341,551	307,483
		64,899,831	64,258,204
9.1 Un allocated expenditure			
Salaries, wages and other benefits		1,325,799	1,316,932
Utilities		1,126,214	1,126,214
Travelling and conveyance		152,682	151,910
Legal and professional charges		54,672	54,672
Commitment charges - long term finance		90,038	90,038
Loan arrangement, agency and monitoring fee		496,754	495,014
Technical consultancy		65,288	65,288
Project management services		102,069	102,069
Project insurance		479,851	460,326
Depreciation on property, plant and equipment		109,523	91,192
Mark up on :			
- long term finance		14,169,850	12,469,676
- short term finance		158,143	109,387
- temporary loans from related parties		371,014	371,014
		14,699,007	12,950,077
General		557,511	546,706
		19,259,408	17,450,438

Notes to and Forming part of the Condensed Interim Financial Statements

For the quarter ended March 31, 2011

	(Un audited) March 31, 2011	(Audited) December 31, 2010
	(Rupees in thousand)	
9.2 Trial run gain		
Trial run sales	(11,278,642)	(7,174,756)
Less:		
Sales Tax	15,346	—
Sale incentive	161,766	74,597
Discount	25,071	17,785
	202,183	92,382
	(11,076,459)	(7,082,374)
Trial run costs		
Raw material consumed	459,304	300,534
Feed Gas	1,097,598	839,359
Fuel and power	2,715,719	2,070,960
Salaries, wages and other benefits	876,421	632,196
Stores and Spares	404,837	292,537
Catalysts and chemicals	146,566	91,165
Repairs and Maintenance	31,226	14,361
Travelling & Conveyance	78,277	58,668
Printing & Stationery	8,606	7,244
Transportation	541,150	363,564
Insurance	46,130	5,589
Toll manufacturing charges	139,101	111,335
Others	99,960	67,052
	6,644,895	4,854,564
Less: closing stock	(360,766)	(533,717)
	6,284,129	4,320,847
	(4,792,330)	(2,761,527)
9.3 Advances		
- Freehold land	17,800	17,800
- Civil works	114,381	130,181
- Plant and machinery	98,944	49,780
- ERP Software	10,426	9,722
- Others	100,000	100,000
	341,551	307,483

		For the quarter ended	
		(Un audited) March 31, 2011 (Rupees in thousand)	(Un audited) March 31, 2010 (Rupees in thousand)
10. Loss per share			
Loss for the period	Rupees in thousand	(78,277)	(26,948)
Weighted average number of ordinary shares issued and subscribed	Number of shares	2,000,000,000	1,966,666,666
Loss per share - basic and diluted	Rupees	(0.04)	(0.01)
11. Cash flows from operating activities			
Loss before tax		(37,311)	(26,948)
Adjustments for:			
Retirement benefits accrued		692	-
Depreciation on property, plant and equipment		877	4,608
Finance costs		2,916	550
Other income		(2,713)	-
		1,772	5,158
Operating cash flows before working capital changes		(35,539)	(21,790)
Effect on cash flow due to working capital changes			
(Increase)/Decrease in current assets			
Stores and spares		(377,749)	(457,278)
Stock in trade		(544,092)	(113,946)
Trade debts		218,053	-
Loans, advances, deposits, prepayments and other receivables		(95,629)	372,625
Decrease in trade and other payables		(93,437)	(34,836)
		(892,854)	(233,435)
		(928,393)	(255,225)

12. 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	For the quarter ended	
		(Un audited) March 31, 2011	(Un audited) March 31, 2010
		(Rupees in thousand)	
– Associated undertakings	Long term finance obtained	–	580,503
	Toll manufacturing	27,766	–
	Rent, rates and taxes	1,848	–
	Sale of fertilizer	380,409	–
	Finance cost accrued	166,735	91,687
	Dividend on preference shares	165,614	–
– Key management personnel	Sale of stores and spares	2,698	
	Remuneration including benefits and perquisites	6,731	4,370
– Retirement benefit plans	Retirement benefit expense	4,670	3,303

13. General

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

13.2 These financial statements have been authorized for issue by the Board of Directors of the Company on April 29, 2011.

Sd/-
Chief Executive

Sd/-
Director

www.Fatima-group.com



Fatima Fertilizer Company Limited

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