

## Quarterly Report

for the nine months ended September 30, 2012



Rising to the World...





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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. 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. 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 for the nine months ended September 30, 2012.

Nine months ended September 30<sup>th</sup>, 2012 had been full of crests and troughs for the Fertilizer sector. First quarter saw all the major players showing performance below expectation in terms of off-take and financial results, while second quarter showed a mixed but improved trend on the back of kharif season coupled with unpredictability of Fiscal Budget announcements, however, things got settled down and market responded positively. Third quarter also ended on a positive note and the trend is expected to continue till the year end.

During the period under review, Fertilizer industry continued to face number of challenges namely, unprecedented gas curtailment, imposition of gas development surcharge, irrational availability of heavily subsidized imported Urea and upsurge in the locally manufactured fertilizer prices. Your Company suffered mainly due to excessive imports of Urea by the Government.

It is a matter of immense pleasure to announce that your Company reported a post-tax profit of PKR 4.0 billion in the nine months under review. Net revenue during the period was recorded at PKR 18.3 billion, having highest contribution from NP of 35% while Urea and CAN contributed 33% and 32% respectively. Administrative and Distribution cost moved in line with the revenue during the current quarter compared with the first half.

During the period under review, your Company repaid loans amounting to PKR 10,770 million and redeemed preference shares worth PKR 2,000 million while acquiring new financing facility amounting to PKR 6,000 million at competitive mark-up rate. Moreover, the Company also converted 50% of its Preference shares in to Ordinary shares at a value of PKR 20 per share. Mark up payment of PKR 3.9 billion and Dividend distribution of 2.3 billion was also made.

Product wise sale during the nine months remained as under:

| <b>Product</b> | <b>Jul to Sep - 2012<br/>"000" Tons</b> | <b>Jan to Sep - 2012<br/>"000" Tons</b> | <b>Jul to Sep - 2011<br/>"000" Tons</b> | <b>Jan to Sep - 2011<br/>"000" Tons</b> |
|----------------|---|---|---|---|
| Urea           | 38                                      | 208                                     | 109                                     | 334                                     |
| CAN            | 62                                      | 247                                     | 92                                      | 261                                     |
| NP             | 74                                      | 161                                     | 59                                      | 66                                      |

# Directors' Report to the Members

The Urea Market remained sluggish during the third quarter with reduced acreage on cotton, estimated down by 5.3% in Punjab alone, and lower usage as prices of cotton dropped significantly. In September, partial flooding also depressed the nitrogen market. It is estimated that the market shrank by approximately 36%. Sales consequently were impacted and CAN sales dropped by 32% and Urea by 65% as compared to same quarter last year. The phosphate sales however grew by 27% with farmers preferring NP over DAP as prices for DAP continued to be high. DAP sales in Q3 were abysmal in July and August but surged by almost 77% over August 2011, primarily up on account of speculative buying in the last week of September as FFC announced a significant price increase effective the 1<sup>st</sup> of October.

The Company carried on with its consumer promotion for NP during the quarter which supported the usage and brand reinforcement. Technical farmer outreach program was further strengthened to target the NP weak belts.

The nitrogen market is expected to be better for the Rabi season, though not recover to the normal usage level of 3.1 million tons. Hence our sales of Urea and CAN are expected to normalize. The current support price for wheat however does not bode well for the phosphate market and here again we may not see recovery of sales back to normal levels, as the farmer will be hard pressed to recover costs.

During the quarter under review, ammonia plant had a minor fire incident which affected some of the instrumentation on one of the compressors. The initial estimate was an outage of around 9 days, however, the opportunity was utilized to carry out some additional maintenance activities which were planned later in the year, therefore, overall production closure extended to 25 days. This additional stretched outage is not expected to impact the annual targets significantly. Other than the reported incident, all the plants showed stable performance.

The production achieved during the period is as under:

| Product     | Jan to Sep - 2012<br>"000" Tons | Jan to Sep - 2011<br>"000" Tons |
|-------------|---------------------------------|---------------------------------|
| Ammonia     | 314                             | 297                             |
| Urea        | 260                             | 315                             |
| Nitric Acid | 284                             | 214                             |
| CAN         | 266                             | 253                             |
| NP          | 186                             | 66                              |

Implementation of Clean Development Mechanism (CDM) project has been completed and first site verification visit for CDM project was conducted by Designated Operational Entity in end August, 2012. Verification report is expected to be received by mid-November. CERs for the period 1<sup>st</sup> April to 31<sup>st</sup> July shall be tradable after the receipt of the report and subsequent to certification 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 during the quarter 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

Lahore  
October 17, 2012

sd/-  
Arif Habib  
Chairman

# Condensed Interim Balance Sheet

## as at September 30, 2012

|  | Note | Un audited<br>September 30,<br>2012<br>(Rupees in thousand) | Audited<br>December 31,<br>2011 |
|--|------|---|---------------------------------|
| <b>EQUITY AND LIABILITIES</b>  |      |   |                                 |
| <b>CAPITAL AND RESERVES</b>  |      |   |                                 |
| Authorized share capital<br>2,100,000,000 (2011: 2,100,000,000)<br>ordinary shares of Rs 10 each               |      | 21,000,000  | 21,000,000                      |
| 400,000,000 (2011: 400,000,000)<br>preference shares of Rs 10 each   |      | 4,000,000   | 4,000,000                       |
| Issued, subscribed and paid up capital<br>2,100,000,000 (2011: 2,000,000,000)<br>ordinary shares of Rs 10 each | 4    | 21,000,000  | 20,000,000                      |
| Nil (2011: 400,000,000)<br>preference shares of Rs 10 each   | 5    | –   | 4,000,000                       |
| Share premium  |      | 1,790,000   | 790,000                         |
| Accumulated profit   |      | 4,059,511   | 3,264,865                       |
|  |      | 26,849,511  | 28,054,865                      |
| <b>NON CURRENT LIABILITIES</b>   |      |   |                                 |
| Long term finance  | 6    | 28,902,723  | 34,457,218                      |
| Dividend and Markup payable to related party   |      | 1,838,802   | 2,217,219                       |
| Deferred taxation  |      | 3,520,005   | 1,704,264                       |
| Employee retirement benefits   |      | 121,916   | 102,754                         |
|  |      | 34,383,446  | 38,481,455                      |
| <b>CURRENT LIABILITIES</b>   |      |   |                                 |
| Current maturity of long term finance  | 6    | 3,816,993   | 3,032,833                       |
| Short term finance-secured   | 7    | 6,477,804   | –                               |
| Trade and other payables   |      | 2,872,005   | 4,650,956                       |
| Accrued finance cost   |      | 1,617,081   | 1,890,932                       |
| Dividend payable on ordinary shares  |      | 715,016   | –                               |
| Provision for taxation   |      | –   | 236,207                         |
|  |      | 15,498,899  | 9,810,928                       |
| <b>CONTINGENCIES &amp; COMMITMENTS</b>   |      |   |                                 |
|  | 8    |   |                                 |
|  |      | 76,731,856  | 76,347,248                      |

The annexed explanatory notes from 1 to 19 form an integral part of this condensed interim financial information.

Sd/-  
Chief Executive



|  | Note | Un audited<br>September 30,<br>2012<br>(Rupees in thousand) | Audited<br>December 31,<br>2011 |
|--|------|---|---------------------------------|
| <b>ASSETS</b>  |      |   |                                 |
| <b>NON CURRENT ASSETS</b>                                    |      |   |                                 |
| Property, plant and equipment                                | 9    | 66,092,828  | 66,827,913                      |
| Capital work in progress                                     | 10   | 1,675,276   | 1,387,735                       |
|  |      | 67,768,104  | 68,215,648                      |
| Long term Investments  |      | 85,190  | -                               |
| Long term loans and deposits                                 |      | 12,742  | 5,481                           |
|  |      | 67,866,036  | 68,221,129                      |
| <b>CURRENT ASSETS</b>  |      |   |                                 |
| Stores and spares  | 11   | 2,764,737   | 1,930,679                       |
| Stock in trade   | 12   | 4,213,138   | 1,215,014                       |
| Trade debtors  |      | 140,996   | 195,840                         |
| Loans, advances, deposits, prepayments and other receivables |      | 1,544,869   | 945,225                         |
| Cash and bank balances                                       |      | 202,080   | 3,839,361                       |
|  |      | 8,865,820   | 8,126,119                       |
|  |      | 76,731,856  | 76,347,248                      |

Sd/-  
Director

# Condensed Interim Profit and Loss Account (Un Audited)

## For the nine months period ended September 30, 2012

|                               | Note | Three months ended   |                    | Nine months ended  |                    |
|-------------------------------|------|----------------------|--------------------|--------------------|--------------------|
|                               |      | September 30, 2012   | September 30, 2011 | September 30, 2012 | September 30, 2011 |
|                               |      | (Rupees in thousand) |                    |                    |                    |
| Sales                         |      | 5,679,941            | 7,326,203          | 18,288,368         | 7,326,203          |
| Cost of sales                 | 13   | 2,331,630            | 2,640,231          | 6,759,791          | 2,640,231          |
| <b>Gross profit</b>           |      | <b>3,348,311</b>     | <b>4,685,972</b>   | <b>11,528,577</b>  | <b>4,685,972</b>   |
| Distribution cost             |      | (133,126)            | (167,040)          | (811,034)          | (167,040)          |
| Administrative expenses       |      | (202,789)            | (124,041)          | (532,867)          | (204,683)          |
|                               |      | 3,012,396            | 4,394,891          | 10,184,676         | 4,314,249          |
| Finance cost                  | 14   | (1,366,796)          | (1,643,451)        | (4,363,079)        | (1,646,794)        |
| Other operating expenses      |      | (48,644)             | (133,476)          | (274,800)          | (133,476)          |
|                               |      | 1,596,956            | 2,617,964          | 5,546,797          | 2,533,979          |
| Other operating income        |      | 1,844                | 45,652             | 43,012             | 60,188             |
| <b>Profit Before taxation</b> |      | <b>1,598,800</b>     | <b>2,663,616</b>   | <b>5,589,809</b>   | <b>2,594,167</b>   |
| Taxation                      |      | (182,290)            | (649,080)          | (1,579,533)        | (732,347)          |
| <b>Profit for the period</b>  |      | <b>1,416,510</b>     | <b>2,014,536</b>   | <b>4,010,276</b>   | <b>1,861,820</b>   |
| Earnings per share:           |      |                      |                    |                    |                    |
| - basic (Rupees)              | 15   | 0.67                 | 1.01               | 1.95               | 0.93               |
| - diluted (Rupees)            |      | 0.67                 | 0.88               | 1.95               | 0.81               |

The annexed explanatory notes from 1 to 19 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 nine months period ended September 30, 2012

|  | Three months ended    |                       | Nine months ended     |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
|  | September 30,<br>2012 | September 30,<br>2011 | September 30,<br>2012 | September 30,<br>2011 |
|  | (Rupees in thousand)  |                       |                       |                       |
| Profit for the period                            | 1,416,510             | 2,014,536             | 4,010,276             | 1,861,820             |
| Other comprehensive income                       | -                     | -                     | -                     | -                     |
| <b>Total comprehensive profit for the period</b> | <b>1,416,510</b>      | <b>2,014,536</b>      | <b>4,010,276</b>      | <b>1,861,820</b>      |

The annexed explanatory notes from 1 to 19 form an integral part of this condensed interim financial information.

Sd/-  
Chief Executive

Sd/-  
Director

# Condensed Interim Statement of Changes in Equity

## For the nine months period ended September 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  |
| Profit for the period   | -                      | -                        | -             | 1,861,820                   | 1,861,820   |
| Other comprehensive income  | -                      | -                        | -             | -                           | -           |
|   | -                      | -                        | -             | 1,861,820                   | 1,861,820   |
| Dividend on preference shares   | -                      | -                        | -             | (167,567)                   | (167,567)   |
| Balance as at September 30, 2011 (un audited)   | 20,000,000             | 4,000,000                | 790,000       | 1,163,033                   | 25,953,033  |
| Profit for the period   | -                      | -                        | -             | 2,255,155                   | 2,255,155   |
| Other comprehensive income  | -                      | -                        | -             | -                           | -           |
|   | -                      | -                        | -             | 2,255,155                   | 2,255,155   |
| Dividend on preference shares   | -                      | -                        | -             | (153,323)                   | (153,323)   |
| Balance as on 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   | -                      | -                        | -             | 4,010,276                   | 4,010,276   |
| Other comprehensive income  | -                      | -                        | -             | -                           | -           |
|   | -                      | -                        | -             | 4,010,276                   | 4,010,276   |
| Dividend on preference shares   | -                      | -                        | -             | (215,630)                   | (215,630)   |
| Balance as at September 30, 2012 (un audited)   | 21,000,000             | -                        | 1,790,000     | 4,059,511                   | 26,849,511  |

The annexed explanatory notes from 1 to 19 form an integral part of this condensed interim financial information.

Sd/-  
Chief Executive

Sd/-  
Director

# Condensed Interim Cash Flow Statement (Un Audited)

## For the nine months period ended September 30, 2012

|   | Note | September 30,<br>2012 | September 30,<br>2011 |
|---|------|-----------------------|-----------------------|
| (Rupees in thousand)  |      |                       |                       |
| <b>Cash flows from operating activities</b>                   |      |                       |                       |
| Cash generated from operations                                | 17   | 5,110,433             | 4,793,410             |
| Finance cost paid   |      | (5,230,977)           | (1,829,224)           |
| Taxes paid  |      | (245,934)             | (183,632)             |
| Employee retirement benefits paid                             |      | (8,931)               | (5,054)               |
| <b>Net cash (used in) / from operating activities</b>         |      | <b>(375,409)</b>      | <b>2,775,500</b>      |
| <b>Cash flows from investing activities</b>                   |      |                       |                       |
| Fixed capital expenditure                                     |      | (662,412)             | (3,603,672)           |
| Long term investment  |      | (85,190)              | -                     |
| Trial run gain  |      | -                     | 4,123,187             |
| Finance cost paid   |      | -                     | (3,311,446)           |
| Proceeds from disposal of property plant and equipment        |      | 3                     | 66                    |
| Net decrease in long term loans and deposits                  |      | (7,261)               | 10,885                |
| Profit received on saving accounts                            |      | 70,503                | 23,031                |
| <b>Net cash used in investing activities</b>                  |      | <b>(684,357)</b>      | <b>(2,757,949)</b>    |
| <b>Cash flows from financing activities</b>                   |      |                       |                       |
| Redemption of preference shares                               |      | (2,000,000)           | -                     |
| Repayment of long term finance                                |      | (10,770,335)          | -                     |
| Proceeds from long term finance                               |      | 6,000,000             | 40,760                |
| Dividend paid   |      | (2,284,984)           | -                     |
| Increase in short term finance - net                          |      | 6,477,804             | 968,931               |
| <b>Net cash (used in) / from financing activities</b>         |      | <b>(2,577,515)</b>    | <b>1,009,691</b>      |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |      | <b>(3,637,281)</b>    | <b>1,027,242</b>      |
| <b>Cash and cash equivalents at beginning of the period</b>   |      | <b>3,839,361</b>      | <b>283,289</b>        |
| <b>Cash and cash equivalents at end of the period</b>         |      | <b>202,080</b>        | <b>1,310,531</b>      |

The annexed explanatory notes from 1 to 19 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 Statements (Un Audited) For the nine months period ended September 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 nine months ended September 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 an audited condensed interim financial information for the nine months period ended September 30, 2011.
- 2.3 This condensed interim financial information is 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 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<br>September 30, 2012<br>(Number of shares) | Audited<br>December 31, 2011<br>(Number of shares) |   | Un audited<br>September 30, 2012<br>(Rupees in thousand) | Audited<br>December 31, 2011<br>(Rupees in thousand) |
|--|--|---|--|--|
| 2,100,000,000  | 2,000,000,000                                      | Ordinary shares of Rs 10 each<br>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<br>conversion of 200,000,000<br>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. 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 Statements (Un Audited)  
For the nine months period ended September 30, 2012

|   | Note | Un audited<br>September 30,<br>2012<br>(Rupees in thousand) | Audited<br>December 31,<br>2011 |
|---|------|---|---------------------------------|
| <b>6. Long Term Finance</b>   |      |   |                                 |
| <b>These are composed of:</b>   |      |   |                                 |
| Secured loans from Banking Companies /<br>Financial Institutions                                | 6.1  | 28,204,151  | 32,974,486                      |
| Unsecured loans from Pakarab Fertilizer<br>Limited (PFL) - the associate                        |      | 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                      |
| <b>6.1 Movement of long term finances - from<br/>Banking Companies / Financial Institutions</b> |      |   |                                 |
| 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 (NFI and NFII) 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 23,000 million was also paid during the period.



|  | Note | Un audited<br>September 30,<br>2012<br>(Rupees in thousand) | Audited<br>December 31,<br>2011 |
|--|------|---|---------------------------------|
| <b>7. Short term finance – secured</b> |      |   |                                 |
| Cash Finance                           | 7.1  | 5,443,029   | -                               |
| Running Finance                        | 7.2  | 1,034,775   | -                               |
|  |      | 6,477,804   | -                               |

**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 11.05% 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 12.51% to 14.14% (December 31, 2011: 13.92% to 15.79%) per annum.

**7.3** The aggregate unavailed short term borrowing facilities amount to Rs 2,392 million (December 31, 2011: Rs 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 41.295 million (December 31, 2011: Rs 35.253 million).
- (ii) Contracts for other than capital expenditure Rs 1,125.158 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<br>September 30,<br>2012<br>(Rupees in thousand) | Audited<br>December 31,<br>2011 |
|---|---|---------------------------------|
| Not later than one year                           | 55,435  | 4,360                           |
| Later than one year but not later than five years | 85,026  | -                               |
|   | 140,461   | 4,360                           |

Notes to and Forming Part of the Condensed Interim Financial Statements (Un Audited)  
For the nine months period ended September 30, 2012

|   | Note | Un audited<br>September 30,<br>2012<br>(Rupees in thousand) | Audited<br>December 31,<br>2011 |
|---|------|---|---------------------------------|
| <b>9. Property, plant and equipment</b>         |      |   |                                 |
| Opening book value                              |      | 66,827,913  | 875,984                         |
| Add: additions during the period                |      | 374,870   | 66,700,311                      |
| Less: book value of disposals during the period |      | 9   | 2,004                           |
|   |      | 67,202,774  | 67,574,291                      |
| Less: depreciation charged during the period    |      | 1,109,946   | 746,378                         |
| Closing book value                              |      | 66,092,828  | 66,827,913                      |
| <b>Additions during the period</b>              |      |   |                                 |
| Freehold land                                   |      | 1,629   | 13,919                          |
| Building  |      | 40,275  | 2,912,597                       |
| Plant and machinery                             |      | 224,319   | 63,642,350                      |
| Furniture and fixtures                          |      | 7,486   | 8,316                           |
| Office equipment                                |      | 4,237   | 2,681                           |
| Electric installations and appliances           |      | 26,009  | 83,042                          |
| Computers                                       |      | 26,846  | 6,739                           |
| Vehicles  |      | 7,108   | 30,667                          |
| Intangibles                                     |      | 36,961  | -                               |
|   |      | 374,870   | 66,700,311                      |
| <b>10. Capital work in progress</b>             |      |   |                                 |
| - Civil works                                   |      | 229,915   | 152,632                         |
| - Plant and machinery                           |      | 1,291,882   | 996,052                         |
| - Advances                                      | 10.1 | 153,479   | 239,051                         |
|   |      | 1,675,276   | 1,387,735                       |
| <b>10.1 Advances</b>                            |      |   |                                 |
| - Freehold land                                 |      | 1,712   | 80,992                          |
| - Civil works                                   |      | 671   | 8,158                           |
| - Plant and machinery                           |      | 51,096  | 33,414                          |
| - Software                                      |      | -   | 16,487                          |
| -Others   |      | 100,000   | 100,000                         |
|   |      | 153,479   | 239,051                         |
| <b>11. Stores and spares</b>                    |      |   |                                 |
| Stores  |      | 258,755   | 280,489                         |
| Spares  |      | 1,582,658   | 780,296                         |
| Catalyst and chemicals                          |      | 923,324   | 869,894                         |
|   |      | 2,764,737   | 1,930,679                       |

|                          | Note | Un audited<br>September 30,<br>2012 | Audited<br>December 31,<br>2011 |
|--------------------------|------|-------------------------------------|---------------------------------|
| (Rupees in thousand)     |      |                                     |                                 |
| <b>12 Stock in trade</b> |      |                                     |                                 |
| Raw material             |      | 1,709,505                           | 426,660                         |
| Packing material         |      | 61,300                              | 41,211                          |
| <b>Mid Products</b>      |      |                                     |                                 |
| Ammonia                  |      | 17,923                              | 13,147                          |
| Nitric Acid              |      | 5,121                               | 14,829                          |
| Others                   |      | 555                                 | -                               |
|                          |      | 23,599                              | 27,976                          |
| <b>Finished goods</b>    |      |                                     |                                 |
| Urea                     |      | 638,116                             | 774                             |
| NP                       |      | 1,614,304                           | 718,220                         |
| CAN                      |      | 166,314                             | 173                             |
|                          |      | 2,418,734                           | 719,167                         |
|                          |      | 4,213,138                           | 1,215,014                       |

|                                    | Three months ended    |                       | Nine months ended     |                       |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                    | September 30,<br>2012 | September 30,<br>2011 | September 30,<br>2012 | September 30,<br>2011 |
| (Rupees in thousand)               |                       |                       |                       |                       |
| <b>13. Cost of Sales</b>           |                       |                       |                       |                       |
| Raw material consumed              | 866,186               | 866,847               | 3,085,950             | 866,847               |
| Packing material consumed          | 101,059               | 146,251               | 398,197               | 146,251               |
| Salaries, wages and other benefits | 255,086               | 175,157               | 730,294               | 175,157               |
| Fuel and power                     | 558,339               | 587,608               | 1,904,665             | 587,608               |
| Chemicals and catalyst consumed    | 62,223                | 42,161                | 288,495               | 42,161                |
| Stores and spares consumed         | 205,205               | 111,577               | 402,478               | 111,577               |
| Technical assistance               | 9,497                 | 27,144                | 43,326                | 27,144                |
| Repair and maintenance             | 37,880                | 79,368                | 119,742               | 79,368                |
| Insurance                          | 94,431                | 56,610                | 267,492               | 56,610                |
| Travelling and conveyance          | 11,373                | 14,929                | 36,389                | 14,929                |
| Equipment rental                   | 19,748                | 20,327                | 57,263                | 20,327                |
| Vehicle running and maintenance    | 7,473                 | 9,166                 | 28,294                | 9,166                 |
| Depreciation                       | 357,149               | 348,742               | 1,069,231             | 348,742               |
| Toll manufacturing cost            | -                     | 40,861                | 9,542                 | 40,861                |
| Others                             | 4,355                 | 22,642                | 13,623                | 22,642                |
| <b>Manufacturing cost</b>          | <b>2,590,004</b>      | <b>2,549,390</b>      | <b>8,454,981</b>      | <b>2,549,390</b>      |
| Opening stock of mid products      | 23,136                | 22,875                | 27,975                | 22,875                |
| Closing stock of mid products      | (23,599)              | (18,578)              | (23,599)              | (18,578)              |
| <b>Cost of goods manufactured</b>  | <b>2,589,541</b>      | <b>2,553,687</b>      | <b>8,459,357</b>      | <b>2,553,687</b>      |
| Opening stock of finished goods    | 2,160,823             | 91,279                | 719,168               | 91,279                |
| Closing stock of finished goods    | (2,418,734)           | (4,735)               | (2,418,734)           | (4,735)               |
|                                    | 2,331,630             | 2,640,231             | 6,759,791             | 2,640,231             |

Notes to and Forming Part of the Condensed Interim Financial Statements (Un Audited)  
For the nine months period ended September 30, 2012

|   | Three months ended   |                    | Nine months ended  |                    |
|---|----------------------|--------------------|--------------------|--------------------|
|   | September 30, 2012   | September 30, 2011 | September 30, 2012 | September 30, 2011 |
|   | (Rupees in thousand) |                    |                    |                    |
| <b>14 Finance costs</b>                 |                      |                    |                    |                    |
| Markup on Long term finance             | 1,045,691            | 1,408,402          | 3,453,259          | 1,408,402          |
| Markup on loans from associated company | 158,243              | 178,974            | 475,953            | 178,974            |
| Markup on short term finance            | 146,975              | 52,227             | 322,238            | 52,227             |
| Bank charges and others                 | 15,887               | 3,848              | 111,629            | 7,191              |
|   | 1,366,796            | 1,643,451          | 4,363,079          | 1,646,794          |

**15 Earnings per share - basic and diluted**

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

|  | Three months ended   |                    | Nine months ended  |                    |
|--|----------------------|--------------------|--------------------|--------------------|
|  | September 30, 2012   | September 30, 2011 | September 30, 2012 | September 30, 2011 |
|  | (Rupees in thousand) |                    |                    |                    |
| <b>Profit</b>  |                      |                    |                    |                    |
| Profit for the purpose of basic and diluted earnings per share | 1,416,510            | 2,014,536          | 4,010,276          | 1,861,820          |

(Number of shares)

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| <b>Weighted average number of shares</b>                     |               |               |               |               |
| Ordinary shares for the purpose of basic earnings per share  | 2,100,000,000 | 2,000,000,000 | 2,052,554,745 | 2,000,000,000 |
| Potential ordinary shares on conversion of preference shares | -             | 300,895,347   | -             | 300,895,347   |
| <b>Ordinary shares for diluted earnings per share</b>        | 2,100,000,000 | 2,300,895,347 | 2,052,554,745 | 2,300,895,347 |

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

(Rupees)

|                            |      |      |      |      |
|----------------------------|------|------|------|------|
| Basic earnings per share   | 0.67 | 1.01 | 1.95 | 0.93 |
| Diluted earnings per share | 0.67 | 0.88 | 1.95 | 0.81 |

## 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:

| Relationship with the Company | Nature of transaction                           | Nine months ended    |                    |
|-------------------------------|---|----------------------|--------------------|
|                               |   | September 30, 2012   | September 30, 2011 |
|                               |   | (Rupees in thousand) |                    |
| Associated companies          | Toll manufacturing                              | 9,542                | 85,322             |
|                               | Miscellaneous expenses                          | 340,237              | 162,428            |
|                               | Sale of fertilizer                              | 13,145               | 572,104            |
|                               | Purchase of raw material                        | 300,153              | 124,338            |
|                               | Sale of stores and spares                       | 12,120               | 38,164             |
|                               | Interest expense                                | 475,953              | 548,725            |
|                               | Dividend on Preference Shares                   | 215,630              | 498,925            |
| Key management personnel      | Remuneration including benefits and perquisites | 49,382               | 22,898             |
| Retirement benefit plans      | Retirement benefit expense                      | 47,101               | 35,457             |

## 17. Cash generated from operations

|   |                   |                  |
|---|-------------------|------------------|
| Profit before tax   | 5,589,809         | 2,426,600        |
| Adjustments for :   |                   |                  |
| Retirement benefits accrued                                       | 28,093            | 8,300            |
| Depreciation on property, plant and equipment                     | 1,109,946         | 348,743          |
| Finance costs   | 4,363,079         | 1,814,360        |
| Loss on disposal of property plant & equipment                    | 7                 | -                |
| Other income  | (43,012)          | (22,941)         |
|   | 5,458,113         | 2,148,462        |
| <b>Operating cash flows before working capital changes</b>        | <b>11,047,922</b> | <b>4,575,062</b> |
| <b>Effect on cash flow due to working capital changes</b>         |                   |                  |
| (Increase) / Decrease in current assets                           |                   |                  |
| Loans, advances, deposits, prepayments and other receivables      | (381,200)         | (41,530)         |
| Stock in trade  | (2,998,124)       | (476,710)        |
| stores and spares   | (834,058)         | 309,516          |
| Trade debtors   | 54,844            | 142,248          |
| (Decrease) / Increase in creditors, accrued and other liabilities | (1,778,951)       | 284,824          |
|   | (5,937,489)       | 218,348          |
|   | 5,110,433         | 4,793,410        |

## Notes to and Forming Part of the Condensed Interim Financial Statements (Un Audited) For the nine months period ended September 30, 2012

### 18. Date of authorization of issue

This condensed interim financial information has been approved for issue by the Board of Directors of the Company and authorized for issue on October 17, 2012.

### 19. General

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

Sd/-  
Chief Executive

Sd/-  
Director



[www.fatima-group.com](http://www.fatima-group.com)



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