

ENRICHING LIVES

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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. Tariq Jamali

Nominee Director-NBP

Chief Financial Officer

Mr. Asad Murad

Company Secretary

Mr. Ausaf Ali Qureshi

Key Management

Mr. Arif-ur-Rehman

Director Operations

Mr. Muhammad Zahir

Director Marketing

Mr. Qadeer Ahmed Khan

Director Special Projects

Mr. Ahsen-ud-Din

Director Technology Division

Mr. Haroon Waheed

Group Head of Human Resource

Mr. Iftikhar Mahmood Baig

General Manager Business Development

Mr. Javed Akbar

Head of Procurement

Mr. Fuad Imran Khan

Chief Information Officer

Audit Committee

Mr. Muhammad Kashif Habib

Chairman

Mr. Jørgen Nergaard Gøl

Member

Mr. Faisal Ahmed Mukhtar

Member

Mr. Tariq Jamali

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, Multan.
(A member firm of Deloitte Touche Tohmatsu)
Abdali Tower, First Floor,
77-Abdali Road, Multan.
UAN: +92 (0) 61 111-55-2626
Ph: +92 (0) 61 4511979, 4785211-13
Fax: +92 (0) 61 4785214
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
BankIslami Pakistan Limited
Burj Bank 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 (Pvt)
Limited ("NBFI")
Saudi Pak Industrial & Agricultural
Investment Company Limited
("NBFI")
Silk Bank Limited
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: 068-5786910
Fax: 068-5786909

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 half year ended June 30, 2014 and an overview of operational and financial performance of the Company.

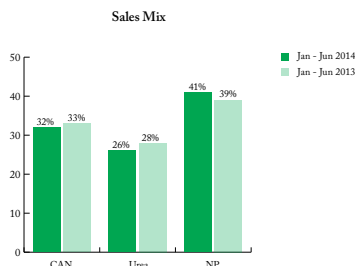
Market Overview

The Urea market during the first half of the year registered a decline of 5.5% versus the same period last year, from 2.71 million tons in 2013 to 2.56 million tons in 2014. Extended winter in most part of the cotton sowing belt impacted BT cotton sowing and hence demand for Nitrogenous products was impacted through March up to June 2014. DAP sales declined by 5.2% in the same period from 0.42 million tons to 0.40 million tons. In mid-June, Government indicated the possibility of a subsidy on Phosphatic fertilizers impacting the immediate demand as dealers and farmers staved off buying in anticipation of reduction in prices. International prices of DAP commenced to recover from the lows of \$400 to \$460 per ton ex Karachi by the end of the first half. Local prices of our product NP were adjusted accordingly in February and May 2014.

Company Performance

During the period under review, your Company reported net revenue of PKR 15.6 billion down by 1% compared to the same period last year mainly due to 4% decrease in sales volume. NP remained the major contributor with 41% contribution in the top line while contribution of Urea and CAN remained at 32% and 26% respectively. Nitric Acid and Ammonia sales reported 1% contribution.

Products	Sales Volume	
	Jan to Jun 2014	Jan to Jun 2013
	"000" Tons	
Urea	136	153
CAN	204	228
NP	166	148



Gross profit for the half year amounted to PKR 8.8 billion. Due to reduction in markup rates, repayment of long term loans and efficient management of financial resources, Finance Cost was reduced by 5.4% compared to the same period last year. Resultantly, before and after tax profit

was recorded at PKR 5.2 billion and PKR 3.4 billion respectively registering an increase of 5% and 1% as compared to PKR 4.96 billion and PKR 3.36 billion for the same period last year. EPS improved by 1.25% to PKR 1.62 compared to PKR 1.60 for the same period last year.

Annual Turn Around (ATA) was successfully completed in April. Subsequently, all the plants have achieved their planned / targeted production levels and have been operating without any disruptions. The overall production has increased by 7% as compared to the same period last year. The production achieved during the period is as under:

Products	Jan to Jun 2014	Jan to Jun 2013
	“000”Tons	
Ammonia	225	207
Nitric Acid	228	207
Urea	157	156
CAN	208	204
NP	171	147

During the period the Company continued with its initiative of being the lead sponsor of the premium agriculture exposition the DAWN SARSABZ expo. The event which was a combination of product and services being offered by agriculture related industries and technical seminars were well attended by farmers. The Company continued with its farmer promotion on NP and concurrently ran farmer education programs on NP, particularly in the weak demand areas and in the rice belts where product usage is low. In the first half of 2014 your Company became the first fertilizer company to launch a farmer advisory help line “Sarsabz Pakistan”. The focus on the farmer outreach program continued with farm visits, farmer field days, farmer gatherings, training of agriculture extension staff and production trials and demonstrations by our technical team. Linkages were forged with leading agriculture research institutes to promote advantages of our products in increasing yields across all crops.

Future Outlook

With cotton prices remaining firm it is expected that demand during Rabi season will be good for fertilizers. It is expected that both Nitrogenous and Phosphatic fertilizers will benefit from the positive outlook. With the increase in GIDC for most of the industry prices of Urea and CAN has increased marginally from the first week of July. The DAP prices continue to firm up in China and the Middle East as demand for MAP continues to be strong.

Directors' Report to the Members

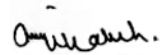
Your Company is committed towards further improvement of operational capabilities of its fertilizer plants. Phase-I of Ammonia Revamp and De-bottlenecking project is progressing as per schedule and expected to be operational by October 2015 providing 7% capacity gain to the Company.

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
July 25, 2014



Arif Habib
Chairman

ATTACHMENT TO THE DIRECTORS' REPORT TO ALL MEMBERS OF THE COMPANY

Dear Sir/Madam,

ABSTRACT OF THE TERMS OF APPOINTMENT UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of section 218 of the Companies Ordinance, 1984, this is to inform that the Board of Directors of the Company has approved the remuneration structure payable to Mr. Fawad Ahmed Mukhtar-CEO and Mr. Fazal Ahmed Sheikh-Director of the Company with effect from May 01, 2014 on the salary, allowances and perquisites as under:

Salary: Rs. 1.5 Million (Rupees Fifteen Hundred Thousand Only) net of taxes per month.

In addition to above, they shall also be entitled to bonuses as per the rules / policies of the Company.

Following perquisites shall also be provided to them:

- The Company shall reimburse expenditure incurred towards electricity, gas, water charges and other utility expenses.
- The Company shall provide and maintain cars, mobile and telephone at office and residence for official and personal use. Payment of club fee and all actual entertainment expenses at the club or about the business of the Company shall be reimbursed.
- Medical expenses and travelling expenses for self and family, which shall include spouse, dependent children and parents, at actual shall be reimbursed.
- Any other allowances, benefits and perquisites as per the rules / policies of the Company and / or which may become applicable in the future and / or any other allowances, perquisites as the Board may from time to time decide.

MEMORANDUM UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

Mr. Fawad Ahmed Mukhtar and Mr. Fazal Ahmed Sheikh are concerned / interested in fixation of their remuneration to the extent mentioned above and upto the extent of their shareholdings in Fatima Fertilizer Company Limited. No other directors are concerned / interested in this respect.

Condensed Interim Financial Statements
Fatima Fertilizer Company Limited
for the half year ended June 30, 2014

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, 2014, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof, for the six-months period then ended (here-in-after referred to as "the interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2014 and June 30, 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2014.

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 interim financial information consists of making inquiries, primarily of the person 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 ended June 30, 2014 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:

Talat Javed

Multan

Dated: July 25, 2014

Condensed Interim Balance Sheet

As at June 30, 2014

	Note	Un audited June 30, 2014	Audited December 31, 2013
(Rupees in thousand)			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Authorized share capital 2,500,000,000 (December 31, 2013: 2,500,000,000) ordinary shares of Rs 10 each		25,000,000	25,000,000
Issued, subscribed and paid up share capital 2,100,000,000 (December 31, 2013: 2,100,000,000) ordinary shares of Rs 10 each		21,000,000	21,000,000
Share premium		1,790,000	1,790,000
Accumulated profit		8,118,844	9,968,958
		30,908,844	32,758,958
NON CURRENT LIABILITIES			
Long term finance	4	19,497,336	22,647,450
Deferred liabilities	5	9,576,913	8,608,816
		29,074,249	31,256,266
CURRENT LIABILITIES			
Trade and other payables		6,260,797	6,650,695
Accrued finance cost		380,028	383,432
Short term finance-secured	6	4,554,037	2,302,516
Current portion of long term finance	4	6,300,578	5,938,078
Dividend payable		3,348,865	—
Income tax payable		272,520	—
		21,116,825	15,274,721
CONTINGENCIES & COMMITMENTS	7		
		81,099,918	79,289,945

The annexed explanatory notes from 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive

	Note	Un audited June 30, 2014	Audited December 31, 2013
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	66,055,192	65,695,396
Intangible assets	9	36,921	42,726
Capital work in progress	10	2,796,729	1,892,621
		68,888,842	67,630,743
Long term investments		85,190	85,190
Long term deposits		12,771	10,248
		68,986,803	67,726,181
CURRENT ASSETS			
Stores and spares	11	3,699,048	3,850,150
Stock in trade	12	3,368,655	2,702,076
Trade debts		232,058	99,181
Short term loan to associated company		3,000,000	3,000,000
Loans, advances, deposits, prepayments and other receivables		1,458,903	1,674,063
Cash and bank balances		354,451	238,294
		12,113,115	11,563,764
		81,099,918	79,289,945



Director

Condensed Interim Profit and Loss Account (Un Audited)

For the six months ended June 30, 2014

	Note	Three months ended		Six months ended	
		June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
(Rupees in thousand)					
Sales	13	8,240,426	8,269,129	15,606,433	15,799,791
Cost of sales	14	(3,714,675)	(3,909,965)	(6,844,316)	(7,000,109)
Gross profit		4,525,751	4,359,164	8,762,117	8,799,682
Distribution cost		(298,871)	(333,152)	(628,294)	(650,969)
Administrative expenses		(356,331)	(293,060)	(657,074)	(586,853)
		3,870,549	3,732,952	7,476,749	7,561,860
Finance cost	15	(1,054,074)	(1,114,648)	(2,028,325)	(2,144,978)
Other operating expenses		(196,310)	(205,944)	(414,254)	(562,505)
		2,620,165	2,412,360	5,034,170	4,854,377
Other income		95,181	22,110	190,221	107,680
Profit before tax		2,715,346	2,434,470	5,224,391	4,962,057
Taxation	16	(948,010)	(751,253)	(1,824,505)	(1,597,984)
Profit for the period		1,767,336	1,683,217	3,399,886	3,364,073
Earnings per share	17				
- basic and diluted (Rupees)		0.84	0.80	1.62	1.60

The annexed explanatory notes from 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Comprehensive Income (Un Audited) For the six months ended June 30, 2014

Note	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
(Rupees in thousand)				
Profit for the period	1,767,336	1,683,217	3,399,886	3,364,073
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	1,767,336	1,683,217	3,399,886	3,364,073

The annexed explanatory notes from 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Changes in Equity

For the six months ended June 30, 2014

	Ordinary share capital	Share premium	Accumulated profit	Total
(Rupees in thousand)				
Balance as at December 31, 2012 (Audited) - restated	21,000,000	1,790,000	6,157,854	28,947,854
Final dividend for the year ended December 31, 2012 @ Rs 2 per share	-	-	(4,200,000)	(4,200,000)
Profit for the period	-	-	3,364,073	3,364,073
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	3,364,073	3,364,073
Balance as at June 30, 2013 (Un audited)	21,000,000	1,790,000	5,321,927	28,111,927
Balance as at December 31, 2013 (Audited)	21,000,000	1,790,000	9,968,958	32,758,958
Final dividend for the year ended December 31, 2013 @ Rs 2.5 per share	-	-	(5,250,000)	(5,250,000)
Profit for the period	-	-	3,399,886	3,399,886
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	3,399,886	3,399,886
Balance as at June 30, 2014 (Un audited)	21,000,000	1,790,000	8,118,844	30,908,844

The annexed explanatory notes from 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Cash Flow Statement (Un Audited)

For the six months ended June 30, 2014

	Note	June 30, 2014	June 30, 2013
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	18	6,835,773	9,340,345
Finance cost paid		(2,031,729)	(3,782,893)
Taxes paid		(205,412)	(272,048)
Employee retirement benefits paid		(2,364)	(3,570)
Net cash from operating activities		4,596,268	5,281,834
Cash flows from investing activities			
Fixed capital expenditure		(2,045,224)	(911,607)
Proceeds from disposal of property plant and equipment		182	56
Net proceeds from disposal of short term investments		-	39,147
Net decrease / (increase) in long term loans and deposits		(2,523)	1,693
Profit received on saving accounts		5,224	7,169
Net cash used in investing activities		(2,042,341)	(863,542)
Cash flows from financing activities			
Repayment of long term finance		(2,787,614)	(1,992,697)
Proceeds from long term finance		-	1,561,787
Dividend paid			
- ordinary shares		(1,901,677)	(2,212,842)
- preference shares		-	(1,337,214)
Increase / (Decrease) in short term finance - net		2,251,521	(350,523)
Net cash used in financing activities		(2,437,770)	(4,331,489)
Net increase in cash and cash equivalents		116,157	86,803
Cash and cash equivalents at the beginning of the period		238,294	984,144
Cash and cash equivalents at the end of the period		354,451	1,070,947

The annexed explanatory notes from 1 to 22 form an integral part of this condensed interim financial information.



Chief Executive



Director

Notes to and Forming Part of the Condensed Interim Financial Information (Un Audited) For the six months ended June 30, 2014

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 got listed on Karachi, Lahore and Islamabad Stock Exchanges on March 08, 2010.

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 Sadiqabad.

2. Basis of preparation

- 2.1 This condensed interim financial information of the Company for the half year ended June 30, 2014 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.
- 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, 2013. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended December 31, 2013 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 half year ended June 30, 2013.
- 2.3 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.
- 2.4 This condensed interim financial information is un audited. However, a limited scope review has been performed by the statutory auditors of the company in accordance with the clause (xix) of the Code of Corporate Governance and they have issued their review report thereon.

3. Accounting policies and estimates

The accounting policies, related judgments, estimates and related assumptions adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of annual financial statements of the company for the year ended December 31, 2013.

	Note	Un audited June 30, 2014	Audited December 31, 2013
(Rupees in thousand)			
4. Long term finance			
Secured loans from Banking Companies / Financial Institutions	4.1	25,797,914	28,585,528
Less: Current portion shown under current liabilities		6,300,578	5,938,078
		19,497,336	22,647,450
4.1 Movement of long term finances - from Banking Companies / Financial Institutions			
Opening balance		28,585,528	31,109,121
Finance availed during the period		–	1,561,786
		28,585,528	32,670,907
Less: repayments during the period	4.2	2,787,614	4,085,379
		25,797,914	28,585,528
4.2			
The installments of Rs. 1,292.682 million falling due on Senior Facility, Rs. 800 million on Syndicated Term Finance Agreement - I (STFA - I) and Rs. 694.931 million on Syndicated Term Finance Agreement - II (STFA - II) were paid during the period.			
	Note	Un audited June 30, 2014	Audited December 31, 2013
(Rupees in thousand)			
5. Deferred liabilities			
Deferred taxation	5.1	9,362,091	8,425,732
Employee retirement benefits	5.2	214,822	183,084
		9,576,913	8,608,816

Notes to and Forming Part of the Condensed Interim Financial Information (Un Audited) For the six months ended June 30, 2014

Note	Un audited June 30, 2014	Audited December 31, 2013
	(Rupees in thousand)	
5.1 Deferred taxation		
This is composed of the following:		
Taxable temporary difference:		
Accelerated tax depreciation	14,906,381	14,444,242
Deductible temporary difference:		
Carry forward tax depreciation losses	(3,846,910)	(5,212,083)
Provision for retirement benefits	(20,135)	(17,328)
Remeasurement of defined benefit obligation	(7,314)	(7,314)
Tax credit u/s 113c	(1,669,931)	(781,785)
	(5,544,290)	(6,018,510)
	9,362,091	8,425,732
5.2 Employee retirement benefits		
Gratuity	157,294	133,575
Accumulating compensated absences	57,528	49,509
	214,822	183,084
6. Short term finance		
Secured loans from Banking companies:		
Cash finance	6.1 2,010,000	964,270
Running finance	6.2 1,263,756	565,053
Finance against Imported Merchandise	6.3 1,280,281	773,193
	4,554,037	2,302,516

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

The facilities carry mark up ranging from 10.39% to 11.44% (December 31, 2013: 9.66% to 11.18%) per annum.

6.2 These facilities have been obtained from various banks for working capital requirements and are secured by Pari Passu charge of Rs. 5,335 million (December 31, 2013: Rs. 5,137 million) on present and future current assets.

The facilities carry mark up ranging from 10.57% to 11.69% (December 31, 2013: 10.02% to 11.43%) per annum.

- 6.3 These facilities have been obtained from various banks against imported merchandise. The facilities carry mark up ranging from 10.57% to 11.17% (December 31, 2013: 10.02% to 13.65%) per annum.
- 6.4 The aggregate unavailed short term borrowing facilities amount to Rs. 4,976 million (December 31, 2013: Rs 7,699 million).

7. Contingencies and commitments

7.1 Contingencies

- (i) 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 aggregating to Rs 13.935 million (December 31, 2013: Rs 13.935 million).
- (ii) Under the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance), Workers Welfare Fund (WWF) was levied at 2% of the assessed income excluding income falling under the Final Tax Regime (FTR). Through Finance Act, 2008 an amendment was made in section 4(5) of the WWF Ordinance whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

In the year 2011, the Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However Sindh High Court through its order dated March 1, 2013 held that amendments made in WWF Ordinance through Finance Act, 2008 were constitutional. As there is a conflict of views in the judgments of two High Courts on one subject, we understand that the matter will ultimately be decided in Supreme Court. Legal counsel of the Company has advised to follow the judgment of Lahore High Court according to which although the company is not required to record provisions for WWF, however as a matter of prudence the management has recognized the liability for the period ended June 30, 2014 amounting to Rs 106.62 million (December 31, 2013: Rs. 251.399 million) while the provisions for the years 2011 and 2012 aggregating to Rs. 303.362 million have not been recognized.

- (iii) The application under section 65 of the Sales Tax Act, 1990 to the Commissioner Inland Revenue, Multan regarding exemption of sales tax estimating Rs 690 million inadvertently short levied/paid on its fertilizer product Calcium Ammonium Nitrate, for the period from April 18, 2011 to December 31, 2011 has been rejected. The management has decided to file appeal against the decision.

Based on the advise of the Company's legal counsel and tax advisor, management considers that reasonable grounds exist that appeal will succeed. Consequently, no provision has been recognized in these financial statements for the abovementioned amount.

Notes to and Forming Part of the Condensed Interim Financial Information (Un Audited) For the six months period ended June 30, 2014

- (iv) The Assistant Commissioner Inland Revenue has passed a judgment against the Company alleging that the Company has adjusted excess input tax amounting to Rs 12.68 million in January 2012 sales tax return.

The Commissioner Inland Revenue Appeals (CIR(A)) has allowed input tax to the extent of Rs 2.829 million. The Company has opted appeal before the Appellate Tribunal Inland Revenue (ATIR) for the remaining amount and as per advice from the tax consultant, the management is hopeful of positive outcome.

- (v) The Company has preferred appeals in Custom Appellate Tribunal, Lahore, against the following orders passed by:

- Collector of Customs (Adjudication), Faisalabad, alleging that the Company has irregularly claimed exemption under SRO 575 on import of 20 consignments of seamless pipes and raised demand of Rs. 113.957 million.
- Collector of Customs (Adjudication), Faisalabad, alleging that the Company has irregularly claimed exemptions under SRO 575 on import of 7 consignments of deformed steel bars and raised demand of Rs. 150.604 million.
- Collector of Customs (Adjudication), Faisalabad, alleging that the Company has not paid duties and taxes on licenses and engineering services amounting to Euro 1.20 million. The total demand raised is Rs. 10.503 million including surcharge.
- Collector of Customs (Adjudication), Faisalabad, alleging that the Company applied incorrect exchange rate of Rs 60.85 per USD instead of Rs 79 per USD on import clearance of 7 consignments of deformed steel bars. Total demand raised is Rs. 17.936 million.

Management is confident that no financial liability will arise in all the above referred cases, therefore, no provision has been made in these financial statements.

7.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 1,283.081 million (December 31, 2013:Rs 25.411 million).
- (ii) Contracts for other than capital expenditure Rs 329.286 million (December 31, 2013: Rs 1,627.135 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, 2014	Audited December 31, 2013
(Rupees in thousand)			
Not later than one year		107,272	73,897
Later than one year but not later than five years		129,325	103,327
		236,597	177,224
8. Property, plant and equipment			
Opening book value		65,695,396	65,882,892
Add: additions during the period	8.1	1,139,617	1,332,146
Less: book value of disposals during the period		168	157
		66,834,845	67,214,881
Less: depreciation charged during the period		779,653	1,519,485
Closing book value		66,055,192	65,695,396
8.1 Additions during the period			
Building		270,145	127,539
Plant and machinery		773,412	981,850
Furniture and fixtures		7,393	8,835
Office equipment		3,585	5,511
Electric installations and appliances		37,743	138,361
Computers		11,837	23,128
Vehicles		35,502	46,922
		1,139,617	1,332,146
9. Intangible assets			
Opening book value		42,726	33,881
Add: additions during the period		1,499	21,223
		44,225	55,104
Less: amortization charged during the period		7,304	12,378
Closing book value		36,921	42,726
10. Capital work in progress			
Civil works		284,186	466,632
Plant and machinery		1,803,699	1,262,383
Advances	10.2	708,844	163,606
		2,796,729	1,892,621

Notes to and Forming Part of the Condensed Interim Financial Information (Un Audited) For the six months ended June 30, 2014

	Un audited June 30, 2014	Audited December 31, 2013
(Rupees in thousand)		
10.1 Movement of capital work in progress		
Opening balance	1,892,621	1,662,461
Addition during the period	1,420,177	702,987
	3,312,798	2,365,448
Less: capitalization during the period	516,069	472,827
Closing balance	2,796,729	1,892,621
10.2 Advances		
Freehold land	1,711	1,711
Civil works	10,310	1,229
Plant and machinery	396,823	160,666
Other advances	300,000	-
	708,844	163,606
11. Stores and spares		
Stores	190,663	171,400
Spares	2,679,440	2,567,300
Catalyst and chemicals	828,945	1,111,450
	3,699,048	3,850,150
12. Stock in trade		
Raw material {including in transit Rs 1,464.7 million (December 31, 2013: 1,363.8 million)}	2,820,184	2,495,415
Packing material	1,311	6,288
Mid Products		
Ammonia	17,317	16,777
Nitric Acid	11,744	9,120
Others	447	331
	29,508	26,228
Finished goods		
Urea	232,506	22,032
NP {including in transit Rs 1.2 million (December 31, 2013: Rs 1.5 million)}	188,627	89,408
CAN	58,584	34,641
Emission reductions	37,935	28,064
	517,652	174,145
	3,368,655	2,702,076

13. Sales

Sales are exclusive of sales tax and trade allowances of Rs 2,742.368 million and Rs 39.279 million (June 30, 2013: Rs 2,537.878 million and Rs 319.437 million) respectively.

Note	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
(Rupees in thousand)				
14. Cost of sales				
Raw material consumed	1,294,506	1,224,823	2,741,230	2,665,787
Packing material consumed	172,774	154,049	364,014	329,311
Salaries, wages and other benefits	409,014	334,784	692,480	630,123
Fuel and power	641,442	573,040	1,367,009	1,252,585
Chemicals and catalyst consumed	99,540	65,692	194,865	145,739
Stores and spares consumed	436,368	290,888	637,257	480,574
Technical assistance	17,402	46,521	23,104	62,758
Repair and maintenance	102,099	173,713	129,596	206,304
Insurance	102,252	110,772	202,804	218,730
Travelling and conveyance	13,722	12,371	21,829	22,348
Equipment rental	31,778	46,714	33,082	66,696
Vehicle running and maintenance	6,649	6,962	14,666	15,145
Depreciation	370,734	361,966	737,776	721,173
Others	22,133	24,080	31,391	38,521
Manufacturing cost	3,720,413	3,426,375	7,191,103	6,855,794
Opening stock of mid products	26,390	28,935	26,228	17,469
Closing stock of mid products	(29,508)	(13,285)	(29,508)	(13,285)
Cost of goods manufactured	3,717,295	3,442,025	7,187,823	6,859,978
Opening stock of finished goods	515,032	524,450	174,145	196,641
Closing stock of finished goods	(517,652)	(56,510)	(517,652)	(56,510)
	3,714,675	3,909,965	6,844,316	7,000,109

Notes to and Forming Part of the Condensed Interim Financial Information (Un Audited) For the six months ended June 30, 2014

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
(Rupees in thousand)				
15. Finance cost				
Markup on long term loans	743,413	918,399	1,612,077	1,844,146
Markup on short term loans	142,727	96,517	236,296	190,030
Interest on Workers' Profit Participation Fund	49,592	79,950	50,229	79,950
Bank charges and others	118,342	19,782	129,723	30,852
	1,054,074	1,114,648	2,028,325	2,144,978
16. Taxation				
Current	815,563	42,182	888,146	79,255
Deferred	132,447	709,071	936,359	1,518,729
	948,010	751,253	1,824,505	1,597,984

17. Earnings per share - basic and diluted

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

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
(Rupees in thousand)				
Profit attributable to ordinary shareholders	1,767,336	1,683,217	3,399,886	3,364,073
(Number of Shares)				
Weighted average number of shares Ordinary shares for the purposes of basic and diluted earnings per share	2,100,000,000	2,100,000,000	2,100,000,000	2,100,000,000

Basic and diluted earnings per share have been computed by dividing profit as stated above with weighted average number of ordinary shares. There is no dilution effect in the current period.

Basic and diluted earnings per share (Rupees)	0.84	0.80	1.62	1.60
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	Six months ended	
	June 30, 2014	June 30, 2013
	(Rupees in thousand)	
18. Cash generated from operations		
Profit before tax	5,224,391	4,962,057
Adjustments for :		
Retirement benefits accrued	34,102	22,841
Depreciation on property, plant and equipment	779,653	753,552
Amortization of intangible assets	7,304	5,344
Finance cost	2,028,325	2,144,978
Profit on short term loan	(181,947)	
Gain on sale on short term investment	–	(39,147)
Profit on saving accounts	(5,025)	(32,923)
Gain on disposal of property plant and equipment	(14)	–
	2,662,398	2,854,645
Operating cash flows before working capital changes	7,886,789	7,816,702
Effect on cash flow due to working capital changes:		
Decrease / (Increase) in current assets:		
Stores and spares	151,102	(277,361)
Stock in trade	(666,579)	(212,149)
Trade debts	(132,877)	(65,595)
Loans, advances, deposits, prepayments and other receivables	(13,306)	318,607
(Decrease) / Increase in creditors, accrued and other liabilities	(389,356)	1,760,141
	(1,051,016)	1,523,643
	6,835,773	9,340,345

19. Financial instruments

The carrying amount of financial assets and financial liabilities as at June 30, 2014 and as at December 31, 2013 approximates their fair values.

20. 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:

Notes to and Forming Part of the Condensed Interim Financial Information (Un Audited) For the six months ended June 30, 2014

Relationship with the Company	Nature of transaction	Six months ended	
		June 30, 2014	June 30, 2013
		(Rupees in thousand)	
Associated companies	Toll manufacturing	340,999	–
	Miscellaneous expenses	75,520	138,273
	Purchase of raw / packing material	383,758	398,203
	Finance cost	–	5,756
	Other income	181,947	–
	Sale of stores and spares	5,685	21,383
Directors and key management personnel	Remuneration including benefits and perquisites	98,140	60,802
Retirement benefit plans	Retirement benefit expense	51,920	37,989

21. Date of Authorization of Issue

This condensed interim financial information have been authorized for issue on July 25, 2014 by the Board of Directors of the Company.

22. General

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



Chief Executive



Director

