

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. Peter Vang Christensen

Mr. Tariq Jamali

Nominee Director-NBP

Chief Financial Officer

Mr. Asad Murad

Company Secretary

Mr. Ausaf Ali Qureshi

Key Management

Mr. Arif-ur-Rehman

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. Peter Vang Christensen

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. Peter Vang Christensen

Member

Mr. Muhammad Kashif Habib

Member

Mr. Faisal Ahmed Mukhtar

Member

Legal Advisors

M/s. Chima & Ibrahim

Advocates

1-A/ 245, Tufail Road

Lahore Cantt.

Auditors

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 unaudited financial statements of the Company for the nine months ended September 30, 2014 along with brief overview of operational and financial performance of the Company.

International Market

For the global fertilizer industry so far 2014 has been a better year compared to 2013 with prices improving of both Nitrogenous and Phosphatic fertilizers. In the first nine months of the year the Nitrogen market continued to strengthen after a weak 2013 close with prices sliding in the Middle East to USD 290 per ton. Good demand in East with China producing less and Middle East benefitting from improved supply resources has ensured that the Nitrogen market remains strong. The Middle East prices hence improved to USD 340 per ton by the end of the third quarter. The Phosphate market recovery was even stronger. Demand both in the West and the East was firm for the first nine months particularly in America and even India recorded an over 13% growth versus 2013. Thus prices in the East rose from a low of USD 400 per ton in December 2013 to USD 500 per ton by September 2014.

Pakistan Market

In the third quarter 2014, Urea sales were 1.54 million tons versus 1.485 million tons in 2013; an increase of 3.7% on account of better availability from local manufacturers with Engro's new plant producing consistently. The DAP market grew by 16.8% over 2013 from 0.334 million tons to 0.39 million tons as importers booked volumes in anticipation of rising prices. Phosphate consumptions remained in line with last year sales.

For the nine months under review, gas shortage persisted for the fourth year and was the severest ever for the three plants on the SNGPL network. The Urea market in the first nine months of the year declined by 2.2% from 4.193 million tons to 4.099 million tons, primarily due to lower consumption in the first half with delayed sowing of BT Cotton. There was improved local supply with Engro's new plant being facilitated with gas availability. The Phosphate market registered an improvement in the same period by 4.5% as dealers lifted volumes in a price increase scenario from June onwards. With international price of DAP increasing steadily in the last six months, Pakistani Importers made significant speculative purchases and inventory buildup has started to take place from August onwards. Sales of DAP during the period increased from 0.757 million tons to 0.791 million tons. The Government was considering implementation of subsidy on Phosphates but was unable to reach an agreement with the industry on the modus operandi acceptable to all the stakeholders.

Company Performance

During the 3rd quarter 2014, the Company's sales volume increased by 13% on the back of NP sales up 21% versus last year and Urea sales increasing by 30% for the same period. The CAN sales volume declined by 10% on account of floods during September.

For the nine months also the overall sales of the Company improved over 2013. Sales volume of Urea increased by 5% as the Company persisted with its network expansion. Sales volume of CAN however dropped by 10% with lower consumption of the product in Kharif with delayed sowing of Cotton and also floods impacting use in Rice, Sugarcane and Maize in Northern Punjab. NP continues to go from strength to strength with

increasing awareness of the farmers both of the product and its benefits. The Company continued with its farmer promotion campaign during Kharif. Consequently, NP sales volume increased by 15% over last year with strong demand supported by better availability of the product.

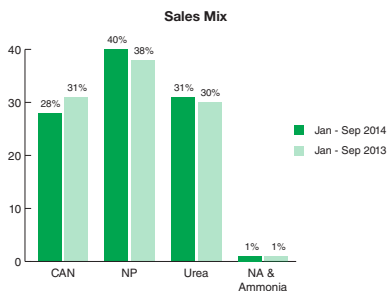
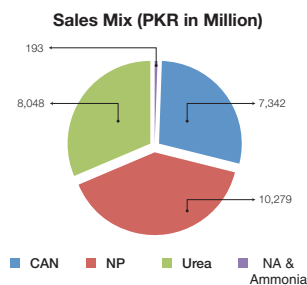
| Products | Sales Volume | |
|----------|-------------------|-------------------|
| | Jan to Sep - 2014 | Jan to Sep - 2013 |
| | ("000" Tons) | |
| Urea | 264 | 252 |
| CAN | 297 | 331 |
| NP | 268 | 232 |

During the period under review, your Company reported net revenue of PKR 25.9 billion showing an increase of 6.3% over the same period last year. NP remained the major contributor towards revenue, with a 40% contribution while the contribution of Urea and CAN was 31% and 28% respectively. Nitric Acid (NA) and Ammonia sales made up the rest of 1%.

The gross profit margin for the period under review increased to PKR 15.4 billion, registering an increase of 7.6% over last year. Distribution expenses moved in accordance with the increase in volume. Being a responsible corporate citizen, your Company participated actively in CSR activities. Administrative expenses increased by 22.5% over last year primarily due to increased participation in CSR activities. Finance cost was reduced by 6.1% compared to the same period last year due to reduction in markup rates, repayment of long term loans and efficient management of financial resources. Other income improved by 61.2% over last year mainly due to increase in profit on loan to associated company. Resultantly, before and after tax profit was recorded at PKR 9.9 billion and PKR 6.4 billion respectively registering an increase of 15.3% and 10.9% respectively as compared to PKR 8.6 billion and PKR 5.8 billion for the same period last year. EPS improved to PKR 3.06 compared to PKR 2.76 for the same period last year.

Fatima plant performance excelled in all areas of operation during the review period. Health, safety and environment continued to be the top priority by following standards as defined by DUPONT USA. By grace of Allah and hard work of site team, the injury rate index continued to drop and the site achieved 21 million man-hours mark without a recordable injury.

After the successful turnaround in April this year, Plant operation improved significantly. The production for



Directors' Report to the Members

the period under review increased by 7% compared to the same period last year. Production achieved during the period is as under:

| Products | Jan to Sep - 2014 | Jan to Sep - 2013 |
|-------------|-------------------|-------------------|
| | ("000" Tons) | |
| Ammonia | 358 | 331 |
| Nitric Acid | 348 | 326 |
| Urea | 267 | 255 |
| CAN | 315 | 309 |
| NP | 273 | 239 |

The marketing, technical and channel initiatives continued to be rolled out in the first nine months. There was continued focus on weak districts and regions and a technical blitz was carried out in such areas. The launch of the 'Sarsabz Pakistan' farmer free advisory service has gathered momentum as awareness has steadily improved from July onwards. Apart from farmer calls, the center also commenced direct contact with them using information from our data base.

Future Outlook

With limited damage to cropping area and early receding of flood waters, the impact on Rabi is expected to be minimal. Hence, sales though delayed due to forecasted late sowing will be in line with the historical consumption of fertilizers. Nitrogen sales are expected to be a bit slow in the traditionally good month of October but should recover by November. The Government has yet to announce a support price for Wheat which is also impacting buying decision. According to latest estimates, based on the current gas situation for the fertilizer sector on SNGPL network, there is a need to import 0.60 million tons of Urea for Rabi including a buffer stock of 0.20 million tons. For the Phosphate market the situation is significantly different. In the wake of speculative buying, a large inventory buildup has taken place during September and will continue through October. Hence there are ample stocks of DAP in the country to cover the entire Rabi season. Our sales of NP and Urea are expected to remain good while there may be pressure on CAN sales on account of impacts of flood. We will continue both promotional and technical support during the Rabi season.

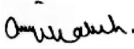
Since the downstream fertilizer plants can operate at much higher capacities but now restricted due to Ammonia supply, the Company is in the process of debottlenecking its Ammonia Plant at a cost of US\$ 58 million. The engineering of the project has been done by a leading company M/S Haldor Topsoe. All the major equipment has been ordered and the project is expected to complete at the scheduled time in 4th quarter of 2015. Once completed, this will provide operational efficiency and 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
October 27, 2014


Arif Habib

Condensed Interim Financial Statements
Fatima Fertilizer Company Limited
for the nine months ended September 30, 2014

Condensed Interim Balance Sheet

As at September 30, 2014

| | Note | Un audited September 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 | | 11,154,142 | 9,968,958 |
| | | 33,944,142 | 32,758,958 |
| NON CURRENT LIABILITIES | | | |
| Long term finance | | 19,497,336 | 22,647,450 |
| Deferred liabilities | 4 | 11,847,052 | 8,608,816 |
| | | 31,344,388 | 31,256,266 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 5,164,006 | 6,650,695 |
| Accrued finance cost | | 1,110,991 | 383,432 |
| Short term finance - secured | | 1,546,411 | 2,302,516 |
| Current maturity of long term finance | | 6,300,578 | 5,938,078 |
| Dividend payable | | 2,176,189 | — |
| | | 16,298,175 | 15,274,721 |
| CONTINGENCIES & COMMITMENTS | 5 | | |
| | | 81,586,705 | 79,289,945 |

The annexed explanatory notes from 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive

| | Note | Un audited September 30, 2014 | Audited December 31, 2013 |
|---|------|----------------------------------|------------------------------|
| (Rupees in thousand) | | | |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 66,102,763 | 65,695,396 |
| Intangible assets | 7 | 33,857 | 42,726 |
| Capital work in progress | 8 | 2,732,059 | 1,892,621 |
| | | 68,868,679 | 67,630,743 |
| Long term investments | | 85,806 | 85,190 |
| Long term deposits | | 14,556 | 10,248 |
| | | 68,969,041 | 67,726,181 |
| CURRENT ASSETS | | | |
| Stores and spares | 9 | 3,860,133 | 3,850,150 |
| Stock in trade | 10 | 2,982,396 | 2,702,076 |
| Trade debts | | 396,401 | 99,181 |
| Short term loan to associated company | | 3,000,000 | 3,000,000 |
| Loans, advances, deposits, prepayments and other receivables | | 1,267,792 | 1,674,063 |
| Cash and bank balances | | 1,110,942 | 238,294 |
| | | 12,617,664 | 11,563,764 |
| | | 81,586,705 | 79,289,945 |



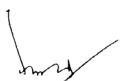
Director

Condensed Interim Profit and Loss Account (Un Audited)

For the nine months ended September 30, 2014

| | Note | Three months ended | | Nine months ended | |
|---|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| (Rupees in thousand) | | | | | |
| Sales | 11 | 10,253,940 | 8,538,651 | 25,860,373 | 24,338,442 |
| Cost of sales | 12 | (3,606,513) | (3,016,760) | (10,450,829) | (10,016,869) |
| Gross profit | | 6,647,427 | 5,521,891 | 15,409,544 | 14,321,573 |
| Distribution cost | | (401,163) | (308,887) | (1,029,457) | (959,856) |
| Administrative expenses | | (403,193) | (278,247) | (1,060,267) | (865,100) |
| | | 5,843,071 | 4,934,757 | 13,319,820 | 12,496,617 |
| Finance cost | 13 | (939,919) | (1,016,434) | (2,968,244) | (3,161,412) |
| Other operating expenses | | (331,307) | (371,019) | (745,561) | (933,524) |
| | | 4,571,845 | 3,547,304 | 9,606,015 | 8,401,681 |
| Other income | | 96,994 | 70,446 | 287,215 | 178,126 |
| Profit before tax | | 4,668,839 | 3,617,750 | 9,893,230 | 8,579,807 |
| Taxation | | (1,633,541) | (1,179,157) | (3,458,046) | (2,777,141) |
| Profit for the period | | 3,035,298 | 2,438,593 | 6,435,184 | 5,802,666 |
| Earnings per share - basic and diluted (Rupees) | | 1.45 | 1.16 | 3.06 | 2.76 |

The annexed explanatory notes from 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Director

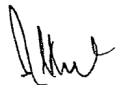
Condensed Interim Statement of Comprehensive Income (Un Audited) For the nine months ended September 30, 2014

| Note | Three months ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| | (Rupees in thousand) | | | |
| Profit for the period | 3,035,298 | 2,438,593 | 6,435,184 | 5,802,666 |
| Other comprehensive income | – | – | – | – |
| Total comprehensive income for the period | 3,035,298 | 2,438,593 | 6,435,184 | 5,802,666 |

The annexed explanatory notes from 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Statement of Changes in Equity

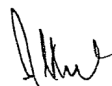
For the nine months ended September 30, 2014

| | 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 |
| Profit for the period | - | - | 5,802,666 | 5,802,666 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | - | - | 5,802,666 | 5,802,666 |
| Final dividend for the year ended December 31, 2012 @ Rs 2 per share | - | - | (4,200,000) | (4,200,000) |
| Balance as at September 30, 2013 (un audited) | 21,000,000 | 1,790,000 | 7,760,520 | 30,550,520 |
| Balance as at December 31, 2013 (audited) | 21,000,000 | 1,790,000 | 9,968,958 | 32,758,958 |
| Profit for the period | - | - | 6,435,184 | 6,435,184 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | 6,435,184 | 6,435,184 |
| Final dividend for the year ended December 31, 2013 @ Rs 2.5 per share | - | - | (5,250,000) | (5,250,000) |
| Balance as at September 30, 2014 (Un audited) | 21,000,000 | 1,790,000 | 11,154,142 | 33,944,142 |

The annexed explanatory notes from 1 to 17 form an integral part of this condensed interim financial information.



Chief Executive



Director

Condensed Interim Cash Flow Statement (Un Audited)

For the nine months ended September 30, 2014

| | Note | September 30, 2014 | September 30, 2013 |
|---|------|--------------------|--------------------|
| (Rupees in thousand) | | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 15 | 12,086,427 | 12,293,450 |
| Finance cost paid | | (2,240,685) | (3,891,094) |
| Taxes paid | | (261,413) | (499,485) |
| Employee retirement benefits paid | | (10,609) | (8,672) |
| Net cash from operating activities | | 9,573,720 | 7,894,199 |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (2,426,317) | (1,410,429) |
| Proceeds from disposal of property plant and equipment | | 349 | 92 |
| Long term investment | | (616) | (120) |
| Short term loan to associated company | | - | (2,867,161) |
| Net proceeds from disposal of short term investments | | - | 39,147 |
| Net (increase) / decrease in long term loans and deposits | | (4,308) | 590 |
| Profit received on short term loan and saving accounts | | 348,117 | 9,587 |
| Net cash used in investing activities | | (2,082,775) | (4,228,294) |
| 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 | | (3,074,578) | (2,443,145) |
| - preference shares | | - | (1,337,214) |
| Decrease in short term finance - net | | (756,105) | (118,366) |
| Net cash used in financing activities | | (6,618,297) | (4,329,635) |
| Net increase / (decrease) in cash and cash equivalents | | 872,648 | (663,730) |
| Cash and cash equivalents at the beginning of the period | | 238,294 | 984,144 |
| Cash and cash equivalents at the end of the period | | 1,110,942 | 320,414 |

The annexed explanatory notes from 1 to 17 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 nine months ended September 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 nine months ended September 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. 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, 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 un audited condensed interim financial information for the nine months ended September 30, 2013.
- 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 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 September 30, 2014 | Audited December 31, 2013 |
|---|------|----------------------------------|------------------------------|
| (Rupees in thousand) | | | |
| 4. Deferred liabilities | | | |
| Deferred taxation | 4.1 | 11,625,174 | 8,425,732 |
| Employee retirement benefits | 4.2 | 221,878 | 183,084 |
| | | 11,847,052 | 8,608,816 |
| 4.1 Deferred taxation | | | |
| This is composed of the following: | | | |
| Taxable temporary difference: | | | |
| Accelerated tax depreciation | | 15,139,018 | 14,444,242 |
| Deductible temporary difference: | | | |
| Carry forward tax depreciation losses | | (2,445,718) | (5,212,083) |
| Provision for retirement benefits | | (20,423) | (17,328) |
| Remeasurement of defined benefit obligation | | (7,314) | (7,314) |
| Tax credit u/s 113c | | (1,040,389) | (781,785) |
| | | (3,513,844) | (6,018,510) |
| | | 11,625,174 | 8,425,732 |
| 4.2 Employee retirement benefits | | | |
| Gratuity | | 163,527 | 133,575 |
| Accumulating compensated absences | | 58,351 | 49,509 |
| | | 221,878 | 183,084 |

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

5. Contingencies and commitments

5.1 Contingencies

- (i) 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, as a matter of prudence the management has recognized the liability for the year ended December 31, 2013 onwards aggregating to Rs 453.286 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.

- (ii) 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 Company has filed an appeal in Lahore High court 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 above mentioned amount.

- (iii) The Assistant Commissioner Inland Revenue has passed a judgment against the Company alleging that the Company has adjusted the 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.

- (iv) 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 1.200 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.

- (v) Alternative Corporate Tax (ACT) at the rate of 17% of accounting profit before tax has been introduced by the Finance Act 2014, by inserting Section 113C in the Income Tax Ordinance, 2001 applicable from tax year 2014. Under this Section, the tax payable is higher of normal tax computed on taxable profits, minimum tax on turnover under Section 113 and the ACT. The tax payable under ACT has no impact on profit of the Company as the excess of tax paid under ACT over normal tax payable is to be carried forward and adjusted against tax payable for the following ten years.

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

The Company has filed a Constitutional Petition in the Honorable High Court of Sindh challenging the newly inserted Section 113C, that it has deprived the Company of certain rights already accrued to it. A stay in this regard has been granted to the Company. The Company's petition is pending for hearing in the High Court.

In view of above, the Company has not recorded tax liability under ACT for the tax year 2014 and for the nine months period ended September 30, 2014.

5.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 2,185.980 million (December 31, 2013: Rs 25.411 million).
- (ii) Contracts for other than capital expenditure Rs 1,111.263 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 September 30, 2014 | Audited December 31, 2013 |
|---|----------------------------------|------------------------------|
| (Rupees in thousand) | | |
| Not later than one year | 100,327 | 73,897 |
| Later than one year but not later than five years | 113,235 | 103,327 |
| | 213,562 | 177,224 |

| | Note | Un audited September 30, 2014 | Audited December 31, 2013 |
|---|------|----------------------------------|------------------------------|
| (Rupees in thousand) | | | |
| 6. Property, plant and equipment | | | |
| Opening book value | | 65,695,396 | 65,882,892 |
| Add: additions during the period | 6.1 | 1,584,669 | 1,332,146 |
| Less: book value of disposals during the period | | 255 | 157 |
| | | 67,279,810 | 67,214,881 |
| Less: depreciation charged during the period | | 1,177,047 | 1,519,485 |
| Closing book value | | 66,102,763 | 65,695,396 |
| 6.1 Additions during the period | | | |
| Building | | 327,692 | 127,539 |
| Plant and machinery | | 1,132,788 | 981,850 |
| Furniture and fixtures | | 10,493 | 8,835 |
| Office equipment | | 4,677 | 5,511 |
| Electric installations and appliances | | 50,229 | 138,361 |
| Computers | | 23,288 | 23,128 |
| Vehicles | | 35,502 | 46,922 |
| | | 1,584,669 | 1,332,146 |
| 7. Intangible assets | | | |
| Opening book value | | 42,726 | 33,881 |
| Add: additions during the period | | 2,210 | 21,223 |
| | | 44,936 | 55,104 |
| Less: amortization charged during the period | | 11,079 | 12,378 |
| Closing book value | | 33,857 | 42,726 |
| 8. Capital work in progress | | | |
| Civil works | | 299,119 | 466,632 |
| Plant and machinery | | 1,492,726 | 1,262,383 |
| Advances | 8.2 | 940,214 | 163,606 |
| | | 2,732,059 | 1,892,621 |

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

| | Un audited September 30, 2014 | Audited December 31, 2013 |
|---|----------------------------------|------------------------------|
| | (Rupees in thousand) | |
| 8.1 Movement of capital work in progress | | |
| Opening balance | 1,892,621 | 1,662,461 |
| Addition during the year | 1,763,013 | 702,987 |
| | 3,655,634 | 2,365,448 |
| Less: capitalization during the year | 923,575 | 472,827 |
| Closing balance | 2,732,059 | 1,892,621 |
| 8.2 Advances | | |
| Freehold land | 1,711 | 1,711 |
| Civil works | 7,108 | 1,229 |
| Plant and machinery | 631,395 | 160,666 |
| Other advances | 300,000 | - |
| | 940,214 | 163,606 |
| 9. Stores and spares | | |
| Stores | 195,777 | 171,400 |
| Spares | 2,823,230 | 2,567,300 |
| Catalyst and chemicals | 841,126 | 1,111,450 |
| | 3,860,133 | 3,850,150 |
| 10. Stock in trade | | |
| Raw material {including in transit Rs 1,397.8 million (December 31, 2013: Rs 1,464.7 million)} | 2,539,650 | 2,495,415 |
| Packing material | 821 | 6,288 |
| Mid Products | | |
| Ammonia | 18,809 | 16,777 |
| Nitric Acid | 11,015 | 9,120 |
| Others | 1,253 | 331 |
| | 31,077 | 26,228 |
| Finished goods | | |
| Urea | 43,864 | 22,032 |
| NP | 190,217 | 89,408 |
| CAN | 134,053 | 34,641 |
| Emission reductions | 42,714 | 28,064 |
| | 410,848 | 174,145 |
| | 2,982,396 | 2,702,076 |

11. Sales

Sales are exclusive of sales tax and trade allowances of Rs 4,620.056 million and Rs 47.684 million (September 30, 2013: Rs 4,012.614 million and Rs 383.359 million) respectively.

| | Three months ended | | Nine months ended | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| (Rupees in thousand) | | | | |
| 12. Cost of sales | | | | |
| Raw material consumed | 1,549,448 | 1,239,530 | 4,290,678 | 3,905,317 |
| Packing material consumed | 231,658 | 190,189 | 595,672 | 519,500 |
| Salaries, wages and other benefits | 290,457 | 249,105 | 982,937 | 879,228 |
| Fuel and power | 613,004 | 695,594 | 1,980,013 | 1,948,179 |
| Chemicals and catalyst consumed | 124,283 | 96,308 | 319,148 | 242,047 |
| Stores and spares consumed | 149,916 | 223,673 | 787,173 | 704,247 |
| Technical assistance | 13,708 | 2,080 | 36,812 | 64,838 |
| Repair and maintenance | 33,566 | 4,270 | 163,162 | 210,574 |
| Insurance | 103,029 | 114,147 | 305,833 | 332,877 |
| Travelling and conveyance | 9,943 | 10,658 | 31,772 | 33,006 |
| Equipment rental | 1,021 | 14,652 | 34,103 | 81,348 |
| Vehicle running and maintenance | 7,053 | 8,306 | 21,719 | 23,451 |
| Depreciation | 373,718 | 364,849 | 1,111,494 | 1,086,022 |
| Others | 474 | 3,995 | 31,865 | 42,516 |
| Manufacturing cost | 3,501,278 | 3,217,356 | 10,692,381 | 10,073,150 |
| Opening stock of mid products | 29,508 | 13,285 | 26,228 | 17,469 |
| Closing stock of mid products | (31,077) | (33,431) | (31,077) | (33,431) |
| Cost of goods manufactured | 3,499,709 | 3,197,210 | 10,687,532 | 10,057,188 |
| Opening stock of finished goods | 517,652 | 56,510 | 174,145 | 196,641 |
| Closing stock of finished goods | (410,848) | (236,960) | (410,848) | (236,960) |
| | 3,606,513 | 3,016,760 | 10,450,829 | 10,016,869 |

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

| | Three months ended | | Nine months ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| | (Rupees in thousand) | | | |
| 13. Finance cost | | | | |
| Markup on long term loans | 774,133 | 925,128 | 2,386,210 | 2,769,274 |
| Markup on short term loans | 89,877 | 79,025 | 326,173 | 269,055 |
| Interest on Worker Profit Participation Fund | – | – | 50,229 | 79,950 |
| Bank charges and others | 75,909 | 12,281 | 205,632 | 43,133 |
| | 939,919 | 1,016,434 | 2,968,244 | 3,161,412 |

14. 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 nine months ended | |
|---|--|---------------------------|-----------------------|
| | | September 30, 2014 | September 30, 2013 |
| | | (Rupees in thousand) | |
| Associated companies | Toll manufacturing | 605,407 | 794,769 |
| | Miscellaneous expenses | 130,208 | 180,601 |
| | Purchase of raw / packing material | 821,400 | 634,974 |
| | Sale of product | – | 29,165 |
| | Finance cost | – | 5,756 |
| | Finance income | 275,585 | 59,941 |
| | Sale of stores and spares | 4,846 | 33,551 |
| Directors and key management personnel | Remuneration including benefits and perquisites | 132,570 | 89,493 |
| Retirement benefit plans | Retirement benefit expense | 76,298 | 58,993 |

| | For the nine months ended | |
|---|---------------------------|-----------------------|
| | September 30, 2014 | September 30, 2013 |
| | (Rupees in thousand) | |
| 15. Cash generated from operations | | |
| Profit before tax | 9,893,230 | 8,579,807 |
| Adjustments for : | | |
| Retirement benefits accrued | 49,403 | 36,019 |
| Depreciation on property, plant and equipment | 1,177,047 | 1,135,841 |
| Amortization of intangible assets | 11,079 | 8,741 |
| Finance cost | 2,968,244 | 3,161,412 |
| Profit on short term loan | (275,585) | (59,941) |
| Gain on sale of short term investment | – | (39,147) |
| Profit on saving accounts | (8,297) | (36,598) |
| (Gain) / Loss on disposal of property plant and equipment | (94) | 51 |
| | 3,921,797 | 4,206,378 |
| Operating cash flows before working capital changes | 13,815,027 | 12,786,185 |
| Effect on cash flow due to working capital changes: | | |
| (Increase) / decrease in current assets: | | |
| Stores and spares | (9,983) | (587,220) |
| Stock in trade | (280,320) | (423,722) |
| Trade debts | (297,220) | 3,874 |
| Loans, advances, deposits, prepayments and other receivables | 344,845 | (330,591) |
| (Decrease) / increase in creditors, accrued and other liabilities | (1,485,922) | 844,924 |
| | (1,728,600) | (492,735) |
| | 12,086,427 | 12,293,450 |

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

16. Date of Authorization of Issue

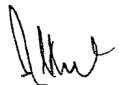
This condensed interim financial information has been authorized for issue on October 27, 2014 by the Board of Directors of the Company.

17. General

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



Chief Executive



Director

