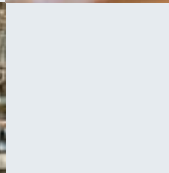
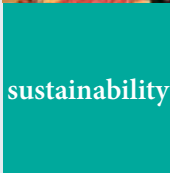
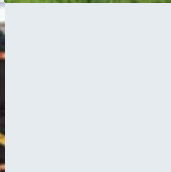
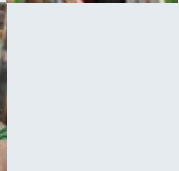
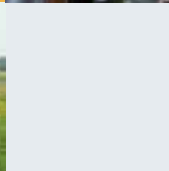


DRIVING EXCELLENCE GROWTH & SUSTAINABILITY



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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. Haroon Waheed

Group Head of HR

Mr. Iftikhar Mahmood Baig

Director Business Development

Mr. Javed Akbar

Head of Procurement

Mr. Qadeer Ahmed Khan

Director Special Projects

Mr. Ahsen-ud-Din

Director Technology Division

Dr. Fuad Imran Khan

Chief Information Officer

Mr. Kashif Mustafa Khan

Incharge of Internal Audit

Mr. Asghar Naveed

Corporate HSE Manager

Audit Committee Members

Mr. Muhammad Kashif Habib

Chairman

Mr. Peter Vang Christensen

Member

Mr. Faisal Ahmed Mukhtar

Member

Mr. M. Abad Khan

Member

Mr. Tariq Jamali

Member

HR and Remuneration Committee

Members

Mr. M. Abad Khan

Chairman

Mr. Peter Vang Christensen

Member

Mr. Muhammad Kashif Habib

Member

Mr. Faisal Ahmed Mukhtar

Member

Legal Advisors

M/s. Chima & Ibrahim Advocates

1-A/ 245, Tufail Road

Lahore Cantt.

Auditors

Deloitte Yousuf Adil

Chartered Accountants

(A member firm of Deloitte Touche Tohmatsu Limited)

134-A, Abubakar Block,

New Garden Town, Lahore

Ph: +92 (0) 42 35913595 - 7, 35440520

Fax: +92 (0) 42 35440521

Web: www.deloitte.com

Registrar and Share Transfer Agent

Central Depository Company of
Pakistan Limited

Share Registrar Department

CDC House, 99 – B, Block ‘B’,

S.M.C.H.S., Main Shahra-e-Faisal
Karachi-74400.

Tel: Customer Support Services

(Toll Free) 0800-CDCPL (23275)

Fax: (92-21) 34326053

Email: info@cdcpak.com

Website: www.cdcpakistan.com

Bankers

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al-Habib Limited

BankIslami Pakistan Limited

Citibank N.A.

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

NIB Bank Limited

Pak China Investment Company
Limited (“NBFI”)

Pak Libya Holding Company
Limited (“NBFI”)

Saudi Pak Industrial & Agricultural
Investment Company Limited
 (“NBFI”)

Sindh Bank Limited

Soneri Bank Limited

Standard Chartered Bank (Pakistan)
Limited

Summit Bank Limited

The Bank of Khyber

The Bank of Punjab

United Bank Limited

Registered Office / Head Office

E-110, Khayaban-e-Jinnah,

Lahore Cantt., Pakistan.

UAN: 111-FATIMA (111-328-462)

Fax: 042-36621389

Plant Site

Mukhtar Garh, Sadiqabad,

Distt. Rahim Yar Khan,

Pakistan.

Tel: 068-5786910

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 for the nine months ended September 30, 2015 along with brief overview of operational and financial performance of the Company.

Market Overview

The year started on a stable note for Urea with prices in the Arabian Gulf at \$320/ton FOB and \$290/ton FOB in China. However, in July due to lack of demand producers resorted to decreasing prices. By early October, prices had dropped to \$250-255/ton FOB in the Arabian Gulf and China. Chinese prices continued to slide but there were few buyers. Similarly, in the Middle East values continued to deteriorate as US and Brazil remained under pressure. Brazilian imports continued to fall short of anticipated demand.

In Pakistan, the Urea market decreased by 30% to 1.08 million tons in the 3rd quarter of 2015 compared to 1.54 million tons for the same period in 2014. This was partially triggered by poor crop prices for rice, sugarcane and potato and more importantly created by an increase in prices of Urea following significant increase in gas prices by the Government. The industry was asked by the Government to reduce prices and this led to price reduction speculations in the market. The said speculative situation could not be clarified by the end of quarter under review.

The global Phosphate market remained stable in the first half of 2015, with prices steady at \$480-490/ton CFR. However, prices began to decline in Q3 and by early October fell to \$457-460/ton CFR. Major reasons for this price reduction included economic uncertainty prevalent globally and devaluation of the Chinese currency. Heavy imports, insufficient monsoons and weaker rupee stifled demand in India. Importers in other countries are also aware that unless India steps in, there will be surplus supply.

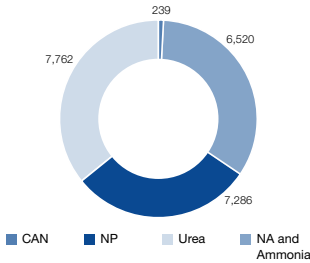
In Pakistan, the DAP market shrunk by 66% from 373K tons to 126K tons over the third quarter of 2015. This was due to Government announcement of subsidy which lingered on despite a lapse of considerable time. Consequently the farmers staved off buying in anticipation of significant decrease in prices.

Company Performance

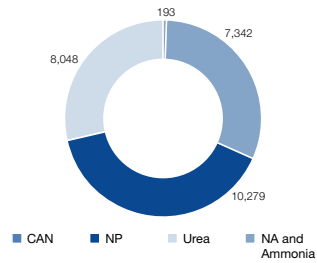
Sales volume of the Company in the third quarter 2015 was down over last year's volume due to depressed conditions stated above and impending finalization of subsidy by the Government which has now been finally materialized for Phosphate Products on October 15, 2015. The said reduction in sales has resulted in 67% lower sales volume in the quarter under review while in the nine months of 2015 sales volume has reduced by 15% compared to same period last year.

| Sales Volume – Nine Months | | | Sales Volume – Three Months | | |
|----------------------------|--------------------|------|-----------------------------|--------------------|------|
| Product | 2015 '000' Tons | 2014 | Product | 2015 '000' Tons | 2014 |
| Urea | 253 | 264 | Urea | 39 | 128 |
| Can | 268 | 297 | Can | 55 | 93 |
| NP | 183 | 268 | NP | 13 | 101 |

Sales Mix Jan-Sep 2015 (PKR in M)



Sales Mix Jan-Sep 2014 (PKR in M)

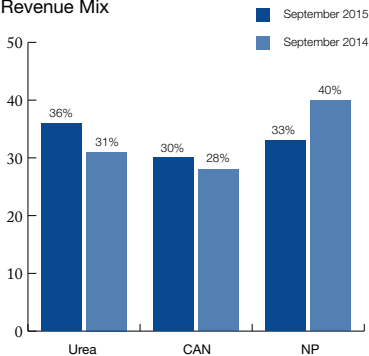


Although the external factors forced the sales volume to decline, due to rescheduling of Annual Turnaround Activity (ATA) to the end of 2015 and efficient performance of the Plant, the Company produced 10% higher volumes over the same period last year.

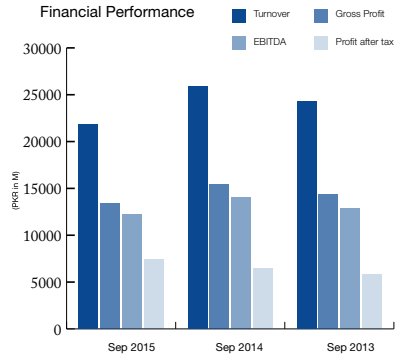
| Products | Jan to Sep - 2015 ("000" Tons) | Jan to Sep - 2014 ("000" Tons) |
|-------------|-----------------------------------|-----------------------------------|
| Ammonia | 406 | 358 |
| Nitric Acid | 373 | 348 |
| Urea | 339 | 267 |
| CAN | 312 | 315 |
| NP | 291 | 273 |

Net revenue of PKR 21.8 billion in nine months of 2015 dropped over 15.7% of the same period last year. Urea has been the major contributor towards revenue, with 36% contribution while the contribution of NP and CAN was 33% and 30% respectively. Nitric Acid (NA) and Ammonia sales made up the rest of 1%.

Revenue Mix



Financial Performance



Directors' Report to the Members

Gross Profit margin for the period amounted to PKR 13.4 billion. Distribution Expenses decreased by 15% in line with the decrease in sale volumes while Administrative Expenses have increased by 18.9% over last year primarily due to increased participation in CSR activities.

Finance Cost declined by 40% compared to the same period last year due to reduction in base rate, repayment of long term loans and efficient management of financial resources. Other Income improved considerably by 63% over last year mainly due to Technical Services rendered outside Pakistan.

As a result the Company has posted Profit before Tax of PKR 9.2 billion - 7.4% reduction over last year. However due to reduction in Corporate Tax Rates announced in the Finance Act 2015, After Tax Profit improved to PKR 7.4 billion increasing by 15.6% over PKR 6.4 billion for the same period last year.

Combined safe man-hours at FFL Plant Site have increased to 26.79 million hours with TRIR of 0.293 by Sep 30th 2015. In spite of the challenges being faced at the construction areas like Ammonia DBN Project, overall Health, and Safety and Environment (HSE) performance remained up to the mark. Though the Plant side has achieved DuPont rating of 3.63 and OSHA Compliant Site status in May 2015; the Company is completely focused on further improvements in HSE.

Consolidated Financial Results

DH Fertilizers Limited (DHFL) and Bubber Sher (Private) Limited (BSPL) are wholly owned Subsidiaries of the Company. DHFL is primarily engaged in the manufacturing and sale of Urea. After completing the acquisition formalities, control of the Subsidiaries was transferred to the Company on July 01, 2015.

Summary of consolidated financial results at the end of September 30, 2015 is as follows:

| | PKR in Million |
|-------------------|-----------------------|
| Sale | 22,020 |
| Gross Profit | 13,249 |
| Finance Cost | 1,891 |
| Other Income | 13,973 |
| Profit Before Tax | 22,483 |
| Profit After Tax | 20,796 |

In compliance to IFRS 3 – Business Combinations, consolidated financial results include Bargain Purchase Gain of Rs 13.6 billion. The said amount represents Fair Valuation Gain booked by the Company on acquisition of the Subsidiaries.

Future Outlook

Urea off-take for Rabi 2015-2016 is expected to be 3.1 Million tons against expected availability of 3.4 Million Tons, which includes current inventories and local production. With the Government's announcement of the farmer support package, sales are expected to improve but uncertainty over prices may impact demand.

In Phosphates, DAP off-take for Rabi 2015-2016 is expected to be 1.0 Million Tons against expected availability of 1.3 Million Tons, which includes current inventories, imports and local production. The Government's announcement of subsidy is likely to improve sales.

For the first time since commissioning of the plant, Annual Turnaround Activity (ATA) has been shifted from the cycle of 12 months to 18 months. With satisfactory preparations of ATA, TA-2015 will be carried out as per schedule in Q4-2015. In order to have maximum possible production in 2015, timing of TA-2015 has been aligned with commissioning time of Ammonia Plant Revamp and De-Bottlenecking Project (DBN Phase-1).

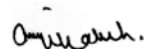
The Capacity and Operational Efficiency Building Project - DBN Phase-1 is progressing as per schedule. All the major equipment including the Cold Box, the Refrigeration and Waste Gas Compressor, various Heat Exchangers etc. have already been placed on the foundations. The new Cooling Tower construction and other Mechanical Construction work is progressing satisfactorily. Commissioning of DBN Phase-I is expected at its scheduled time in the mid of Q4-2015, while Waste Gas Boiler installation, fabrication and commissioning will be completed, as per schedule, afterwards. DBN Phase-I will bring further operational efficiency and 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 30, 2015



Arif Habib
Chairman

Condensed Interim Financial Statements
Fatima Fertilizer Company Limited
For the nine months ended September 30, 2015

Condensed Interim Balance Sheet

As at September 30, 2015

| | Note | Un audited September 30, 2015 | Audited December 31, 2014 |
|---|------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | | |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Authorized share capital 2,500,000,000 (December 31, 2014: 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, 2014: 2,100,000,000) ordinary shares of Rs 10 each | | 21,000,000 | 21,000,000 |
| Share premium | | 1,790,000 | 1,790,000 |
| Post retirement benefit obligation reserve | | (23,311) | (23,311) |
| Unappropriated profit | | 15,655,054 | 13,990,335 |
| | | 38,421,743 | 36,757,024 |
| NON CURRENT LIABILITIES | | | |
| Long term finances | 4 | 14,954,984 | 17,335,003 |
| Deferred liabilities | 5 | 14,719,325 | 14,421,189 |
| | | 29,674,309 | 31,756,192 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 8,686,138 | 7,373,905 |
| Accrued finance cost | | 671,875 | 258,931 |
| Short term finances - secured | 6 | 7,062,537 | 599,575 |
| Current maturity of long term finance | | 6,816,076 | 6,375,336 |
| | | 23,236,626 | 14,607,747 |
| CONTINGENCIES & COMMITMENTS | | | |
| | 7 | | |
| | | 91,332,678 | 83,120,963 |

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



Chief Executive

| | Note | Un audited September 30, 2015 | Audited December 31, 2014 |
|---|------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | | |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 70,624,748 | 68,823,170 |
| Intangible assets | 9 | 31,062 | 30,083 |
| | | 70,655,810 | 68,853,253 |
| Long term investments | 10 | 2,078,316 | 85,806 |
| Long term advances and deposits | | 17,575 | 13,280 |
| | | 72,751,701 | 68,952,339 |
| CURRENT ASSETS | | | |
| Stores and spares | 11 | 5,686,334 | 4,090,265 |
| Stock in trade | 12 | 6,356,427 | 2,681,206 |
| Trade debts | | 244,348 | 448,314 |
| Short term loans | 13 | 2,943,391 | 3,000,000 |
| Loans, advances, deposits, prepayments and other receivables | | 3,184,085 | 3,000,032 |
| Cash and bank balances | | 166,392 | 948,807 |
| | | 18,580,977 | 14,168,624 |
| | | 91,332,678 | 83,120,963 |



Director

Condensed Interim Profit and Loss Account (Un Audited)

For the nine months ended September 30, 2015

| | Note | Three months ended | | Nine months ended | |
|------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| (Rupees in thousand) | | | | | |
| Sales | 14 | 3,007,225 | 10,253,940 | 21,807,131 | 25,860,373 |
| Cost of sales | 15 | (1,060,306) | (3,606,513) | (8,450,480) | (10,450,829) |
| Gross profit | | 1,946,919 | 6,647,427 | 13,356,651 | 15,409,544 |
| Distribution cost | | (158,498) | (401,163) | (871,210) | (1,029,457) |
| Administrative expenses | | (375,391) | (403,193) | (1,260,319) | (1,060,267) |
| | | 1,413,030 | 5,843,071 | 11,225,122 | 13,319,820 |
| Finance cost | 16 | (516,419) | (939,919) | (1,786,429) | (2,968,244) |
| Other operating expenses | | (114,783) | (331,307) | (743,103) | (745,561) |
| | | 781,828 | 4,571,845 | 8,695,590 | 9,606,015 |
| Other income | | 112,012 | 96,994 | 468,981 | 287,215 |
| Profit before tax | | 893,840 | 4,668,839 | 9,164,571 | 9,893,230 |
| Taxation | 17 | | | | |
| Current | | (138,323) | - | (1,457,091) | - |
| Deferred | | | | | |
| -For the period | | (143,770) | (1,633,541) | (1,481,119) | (3,458,046) |
| -Prior year | | - | - | 1,213,358 | - |
| | | (143,770) | (1,633,541) | (267,761) | (3,458,046) |
| | | (282,093) | (1,633,541) | (1,724,852) | (3,458,046) |
| Profit for the period | | 611,747 | 3,035,298 | 7,439,719 | 6,435,184 |
| Earnings per share | | | | | |
| - basic and diluted (Rupees) | 19 | 0.29 | 1.45 | 3.54 | 3.06 |

The annexed explanatory notes from 1 to 23 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, 2015

| | Three months ended | | Nine months ended | |
|--|----------------------|--------------------|--------------------|--------------------|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| | (Rupees in thousand) | | | |
| Profit for the period | 611,747 | 3,035,298 | 7,439,719 | 6,435,184 |
| Other comprehensive income | – | – | – | – |
| Total comprehensive income for the period | 611,747 | 3,035,298 | 7,439,719 | 6,435,184 |

The annexed explanatory notes from 1 to 23 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, 2015

| | Ordinary share capital | Share premium | Post retirement benefit obligation reserve | Un appropriated profit | Total |
|--|------------------------------|------------------|--|---------------------------|-------------|
| (Rupees in thousand) | | | | | |
| Balance as at December 31, 2013 (Audited) | 21,000,000 | 1,790,000 | (13,581) | 9,982,539 | 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 | - | - | - | 6,435,184 | 6,435,184 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 6,435,184 | 6,435,184 |
| Balance as at September 30, 2014 (Un audited) | 21,000,000 | 1,790,000 | (13,581) | 11,167,723 | 33,944,142 |
| Balance as at December 31, 2014 (Audited) | 21,000,000 | 1,790,000 | (23,311) | 13,990,335 | 36,757,024 |
| Final dividend for the year ended December 31, 2014 @ Rs 2.75 per share | - | - | - | (5,775,000) | (5,775,000) |
| Profit for the period | - | - | - | 7,439,719 | 7,439,719 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | - | - |
| Balance as at September 30, 2015 (Un audited) | 21,000,000 | 1,790,000 | (23,311) | 15,655,054 | 38,421,743 |

The annexed explanatory notes from 1 to 23 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, 2015

| | Note | September 30, 2015 | September 30, 2014 |
|---|------|-----------------------|-----------------------|
| (Rupees in thousand) | | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 20 | 5,829,245 | 12,086,427 |
| Finance cost paid | | (1,461,238) | (2,240,685) |
| Taxes paid | | (529,901) | (261,413) |
| Employee retirement benefits paid | | (16,194) | (10,609) |
| Net cash from operating activities | | 3,821,912 | 9,573,720 |
| Cash flows from investing activities | | | |
| Additions in property, plant and equipment | | (2,933,598) | (2,424,107) |
| Additions in intangible assets | | (14,669) | (2,210) |
| Long term investment | | (800,000) | (616) |
| Short term loans | | 56,609 | - |
| Proceeds from disposal of property plant and equipment | | 106 | 349 |
| Net increase in long term loans and deposits | | (4,295) | (4,308) |
| Profit received on short term loan and saving accounts | | 407,874 | 348,117 |
| Net cash used in investing activities | | (3,287,973) | (2,082,775) |
| Cash flows from financing activities | | | |
| Repayment of long term finances | | (3,087,574) | (2,787,614) |
| Proceeds from long term finances | | 1,118,598 | - |
| Dividend paid | | (5,768,875) | (3,074,578) |
| Increase in short term finances - net | | 6,421,497 | (756,105) |
| Net cash used in financing activities | | (1,316,354) | (6,618,297) |
| Net (decrease) / increase in cash and cash equivalents | | (782,415) | 872,648 |
| Cash and cash equivalents at the beginning of the period | | 948,807 | 238,294 |
| Cash and cash equivalents at the end of the period | | 166,392 | 1,110,942 |

The annexed explanatory notes from 1 to 23 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, 2015

1. Legal Status and nature of business

Fatima Fertilizer Company Limited ('the Company'), was incorporated in Pakistan on December 24, 2003 as a public company under the Companies Ordinance, 1984. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges.

The principal activity of the Company is manufacturing, producing, buying, selling, importing and exporting fertilizers and chemicals. Registered office of the Company is situated at E-110, Khayaban-e-Jinnah, Lahore Cantt. The manufacturing facility of the Company is located at Mukhtargarh, Sadiqabad, Pakistan.

2. Basis of preparation

- 2.1 This condensed interim financial information of the Company for the nine months ended September 30, 2015 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, 2014. Comparative condensed interim balance sheet is extracted from annual audited financial statements for the year ended December 31, 2014 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, 2014.
- 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, 2014.

| | Note | Un audited September 30, 2015 | Audited December 31, 2014 |
|---|------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | | |
| 4. Long term finance | | | |
| Secured loans from banking companies / financial institutions | | 21,771,060 | 23,710,339 |
| Less: Current portion shown under current liabilities | | 6,816,076 | 6,375,336 |
| | | 14,954,984 | 17,335,003 |
| 5. Deferred liabilities | | | |
| Deferred taxation | 5.1 | 14,423,604 | 14,155,843 |
| Employee retirement benefits | 5.2 | 295,721 | 265,346 |
| | | 14,719,325 | 14,421,189 |
| 5.1 Deferred taxation | | | |
| This is composed of the following: | | | |
| Taxable temporary differences: | | | |
| Accelerated tax depreciation | | 14,460,088 | 15,341,978 |
| Deductible temporary differences: | | | |
| Carry forward tax depreciation losses | | – | (1,145,633) |
| Provision for retirement benefits | | (25,007) | (27,949) |
| Remeasurement of defined benefit obligation | | (11,477) | (12,553) |
| | | (36,484) | (1,186,135) |
| | | 14,423,604 | 14,155,843 |

Notes to and Forming Part of the Condensed Interim Financial Information (Un audited)

For the nine months ended September 30, 2015

| Note | Un audited September 30, 2015 | Audited December 31, 2014 |
|---|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | |
| 5.2 Employee retirement benefits | | |
| Gratuity | 217,574 | 185,493 |
| Accumulating compensated absences | 78,147 | 79,853 |
| | 295,721 | 265,346 |

6. Short term finances

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

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

These facilities carry mark up ranging from 6.93% to 10.90% (December 31, 2014: 10.14% to 11.69%) per annum for Running Finance and Cash Finance and 2.15% to 4.32% (December 31, 2014: 3.83% to 4.32%) per annum for Finance against Imported Merchandise.

7. Contingencies and commitments

7.1 Contingencies

As at September 30, 2015 there is no material change in the status of contingencies as reported in the notes to the financial statements of the Company for the year ended December 31, 2014, except in the following:

- (i) The Company has issued a corporate guarantee to a syndicate of financial institutions through Meezan Bank Limited, acting as an investment agent, to guarantee payment of any amount due under or in connection with the Diminishing Musharaka Finance Facility (the facility) of Rs 4,466 million availed by DH Fertilizers Limited (a wholly owned subsidiary), up to a maximum amount of Rs 5,954.667 million.

The corporate guarantee will remain in force until receipt of notice from the investment agent that amounts payable under the facility have been paid and guarantee stands discharged.

(ii) Out of the five cases, in which the Company had preferred appeals in Custom Appellate Tribunal, Lahore, the following three have been remanded back to concerned collectorate for re-hearing the case:

- Collector of Customs (Adjudication), Lahore, for irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature. Demand raised Rs 495.900 million.
- Collector of Customs (Adjudication), Faisalabad, for irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.957 million.
- Collector of Customs (Adjudication), Faisalabad, for irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs 150.604 million.

(iii) The Company has preferred appeals in Appellate Tribunal Inland Revenue, Lahore, against the following orders passed by:

- Deputy Commissioner Inland Revenue, Multan alleging that the Company has short paid sales tax by suppression of production. Total demand raised is Rs 628 million. Earlier appeal filed with Commissioner Inland Revenue (Appeals), Multan did not succeed.
- Additional Commissioner Inland Revenue, Multan, alleging that the Company has not paid Sales tax on retail price on supplies of CAN & NP. Total demand raised is Rs 88.5 million. Earlier appeal filed with Commissioner Inland Revenue (Appeals), Multan did not succeed.

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 1,188.276 million (December 31, 2014: Rs 2,738.060 million).
- (ii) Contracts for other than capital expenditure Rs 231.202 million (December 31, 2014: Rs 291.278 million).

Notes to and Forming Part of the Condensed Interim Financial Information (Un audited)

For the nine months ended September 30, 2015

- (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, 2015 | Audited December 31, 2014 |
|--|-------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | | |
| Not later than one year | | 128,819 | 144,379 |
| Later than one year but not later than five years | | 127,388 | 134,932 |
| | | 256,207 | 279,311 |
| 8. Property, plant and equipment | | | |
| Operating fixed assets - tangible | 8.1 | 65,269,691 | 65,945,226 |
| Capital work in progress | 8.2 | 5,355,057 | 2,877,944 |
| | | 70,624,748 | 68,823,170 |
| 8.1 Movement of operating fixed assets - tangible | | | |
| Opening book value | | 65,945,226 | 65,695,395 |
| Add: additions during the period | 8.1.1 | 544,238 | 1,826,596 |
| Less: book value of disposals | | 28 | 255 |
| | | 66,489,436 | 67,521,736 |
| Less: depreciation charged | | 1,219,745 | 1,576,510 |
| Closing book value | | 65,269,691 | 65,945,226 |
| 8.1.1 Additions during the period | | | |
| Building | | 133,109 | 332,568 |
| Plant and machinery | | 174,009 | 1,327,853 |
| Furniture and fixtures | | 7,593 | 14,490 |
| Office equipment | | 3,566 | 6,468 |
| Electric installations and appliances | | 92,427 | 76,467 |
| Computers | | 102,806 | 27,828 |
| Vehicles | | 30,728 | 40,922 |
| | | 544,238 | 1,826,596 |

Un audited
September 30,
2015

Audited
December 31,
2014

(Rupees in thousand)

8.2 Capital work in progress

| | | |
|---------------------|-----------|-----------|
| Civil works | 532,376 | 408,165 |
| Plant and machinery | 3,987,981 | 1,398,503 |
| Advances | | |
| Freehold land | 159,758 | 1,711 |
| Civil works | 15,828 | 8,772 |
| Plant and machinery | 359,114 | 760,793 |
| Other advances | 300,000 | 300,000 |
| | 834,700 | 1,071,276 |
| | 5,355,057 | 2,877,944 |

8.2.1 Movement of capital work in progress

| | | |
|--|-----------|-----------|
| Opening balance | 2,877,944 | 1,892,621 |
| Addition during the period | 2,655,015 | 2,078,572 |
| | 5,532,959 | 3,971,193 |
| Less: capitalization during the period | 177,902 | 1,093,249 |
| Closing balance | 5,355,057 | 2,877,944 |

9. Intangible assets

| | | |
|--|--------|--------|
| Opening book value | 30,083 | 42,726 |
| Add: additions during the period | 14,669 | 2,210 |
| | 44,752 | 44,936 |
| Less: amortization charged during the period | 13,690 | 14,853 |
| Closing book value | 31,062 | 30,083 |

Notes to and Forming Part of the Condensed Interim Financial Information (Un audited)

For the nine months ended September 30, 2015

| | Note | Un audited September 30, 2015 | Audited December 31, 2014 |
|--|------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | | |
| 10. Long term Investments | | | |
| DH Fertilizer Limited | 10.1 | 1,992,500 | – |
| Buber Sher (Pvt) Limited | | 10 | – |
| Multan Real Estate Company (Pvt) Limited | | 85,806 | 85,806 |
| | | 2,078,316 | 85,806 |

10.1 During the period the Company has acquired entire share capital of DH Fertilizers Limited (DHFL) and Buber Sher (Pvt) Limited (BSPL) against purchase price of Rs 1,992.500 million and Rs 10,000 respectively. Out of total purchase price payable the Company has paid Rs 800 million to Dawood Hercules Corporation Limited. For the remaining amount of Rs 1.192 billion, the Company has provided a bank guarantee with maturity on February 01, 2016. The price of 100% shares of DHFL has been valued as the differential between the agreed enterprise value of DHFL (Rs 6.6 billion) and the total long term loans (approximately Rs 4.607 billion).

The control of DH Fertilizers Limited has been transferred to the Company on July 01, 2015.

| | Un audited September 30, 2015 | Audited December 31, 2014 |
|------------------------------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | |
| 11. Stores and spares | | |
| Stores | 301,883 | 219,231 |
| Spares | 4,476,243 | 2,979,853 |
| Catalyst and chemicals | 908,208 | 891,181 |
| | 5,686,334 | 4,090,265 |

| | Un audited September 30, 2015 | Audited December 31, 2014 |
|---|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | |
| 12. Stock in trade | | |
| Raw material {including in-transit Rs 1,180.6 million (December 31, 2014: Rs 1,203.2 million)} | 2,089,465 | 2,311,637 |
| Packing material | 780 | 464 |
| Mid Products | | |
| Ammonia | 25,266 | 20,279 |
| Nitric Acid | 13,339 | 3,161 |
| Others | 467 | 345 |
| | 39,072 | 23,785 |
| Finished goods | | |
| Urea | 1,011,052 | 15,509 |
| NP | 2,687,484 | 179,668 |
| CAN | 488,892 | 144,668 |
| Emission reductions | 39,682 | 5,475 |
| | 4,227,110 | 345,320 |
| | 6,356,427 | 2,681,206 |
| 13. Short term loans | | |
| To Subsidiary Company | | |
| DH Fertilizers Limited | 143,391 | - |
| To Associated Companies | | |
| Pakarab Fertilizers Limited | 2,300,000 | 3,000,000 |
| Reliance Commodities (Pvt) Limited | 500,000 | - |
| | 2,800,000 | 3,000,000 |
| | 2,943,391 | 3,000,000 |

Notes to and Forming Part of the Condensed Interim Financial Information (Un audited)

For the nine months ended September 30, 2015

14. Sales

Sales are exclusive of sales tax and trade allowances of Rs 3,821.094 million and Rs 129.148 million (September 30, 2014: Rs 4,012.614 million and Rs 383.359 million) respectively.

| | Three months ended | | Nine months ended | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| | (Rupees in thousand) | | | |
| 15. Cost of sales | | | | |
| Raw material consumed | 1,706,771 | 1,549,448 | 5,258,714 | 4,290,678 |
| Packing material consumed | 145,732 | 231,658 | 538,646 | 595,672 |
| Salaries, wages and other benefits | 344,360 | 290,457 | 1,168,423 | 982,937 |
| Fuel and power | 908,621 | 613,004 | 2,739,347 | 1,980,013 |
| Chemicals and catalyst consumed | 100,399 | 124,283 | 331,850 | 319,148 |
| Stores and spares consumed | 247,639 | 149,916 | 614,863 | 787,173 |
| Technical assistance | 39,204 | 13,708 | 69,567 | 36,812 |
| Repair and maintenance | 42,428 | 33,566 | 110,619 | 163,162 |
| Insurance | 114,088 | 103,029 | 247,993 | 305,833 |
| Travelling and conveyance | 21,887 | 9,943 | 73,872 | 31,772 |
| Equipment rental | 2,967 | 1,021 | 10,128 | 34,103 |
| Vehicle running and maintenance | 5,828 | 7,053 | 19,346 | 21,719 |
| Depreciation | 379,416 | 373,718 | 1,135,331 | 1,111,494 |
| Others | 5,024 | 474 | 28,858 | 31,865 |
| Manufacturing cost | 4,064,364 | 3,501,278 | 12,347,557 | 10,692,381 |
| Opening stock of mid products | 35,208 | 29,508 | 23,785 | 26,228 |
| Closing stock of mid products | (39,072) | (31,077) | (39,072) | (31,077) |
| Cost of goods manufactured | 4,060,500 | 3,499,709 | 12,332,270 | 10,687,532 |
| Opening stock of finished goods | 1,226,916 | 517,652 | 345,320 | 174,145 |
| Closing stock of finished goods | (4,227,110) | (410,848) | (4,227,110) | (410,848) |
| | 1,060,306 | 3,606,513 | 8,450,480 | 10,450,829 |
| 16. Finance cost | | | | |
| Markup on long term finances | 417,732 | 774,133 | 1,627,527 | 2,386,210 |
| Markup on short term finances | 86,116 | 89,877 | 125,002 | 326,173 |
| Interest on WPPF | – | – | – | 50,229 |
| Bank charges and others | 12,571 | 75,909 | 33,900 | 205,632 |
| | 516,419 | 939,919 | 1,786,429 | 2,968,244 |

17. Taxation

Provision for deferred tax for the quarter ended September 30, 2015 reflects the impact of recent reduction in Corporate Tax announced in the Finance Act, 2015.

18. 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:

| | | Nine months ended | |
|--|---|-----------------------|-----------------------|
| | | September 30, 2015 | September 30, 2014 |
| | | (Rupees in thousand) | |
| Relationship with the Company | Nature of transaction | | |
| Subsidiary Company | Short term loan | 143,391 | – |
| Associated companies | Short term loan | 500,000 | – |
| | Toll manufacturing | 770,845 | 605,407 |
| | Miscellaneous expenses | 7,507 | 130,208 |
| | Sale of product | 14,541 | – |
| | Purchase of packing material | 566,277 | 821,400 |
| | Other income | 257,707 | 275,585 |
| | Stores and spares | – | 4,846 |
| Directors and key management personnel | Remuneration including benefits and perquisites | 139,466 | 132,570 |
| Retirement benefit plans | Retirement benefit expense | 77,931 | 76,298 |

| | Three months ended | | Nine months ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| | (Rupees in thousand) | | | |
| 19. Earnings per share - basic and diluted | | | | |
| Profit attributable to ordinary shareholders | 611,747 | 3,035,298 | 7,439,719 | 6,435,184 |
| | (Number of shares) | | | |
| Weighted average number of shares | 2,100,000,000 | 2,100,000,000 | 2,100,000,000 | 2,100,000,000 |
| Basic and diluted earnings per share (Rupees) | 0.29 | 1.45 | 3.54 | 3.06 |

Notes to and Forming Part of the Condensed Interim Financial Information (Un audited)

For the nine months ended September 30, 2015

| | Nine months ended | |
|--|-----------------------|-----------------------|
| | September 30, 2015 | September 30, 2014 |
| | (Rupees in thousand) | |
| 20. Cash generated from operations | | |
| Profit before tax | 9,164,571 | 9,893,230 |
| Adjustments for : | | |
| Depreciation on property, plant and equipment | 1,219,745 | 1,177,047 |
| Amortization of intangible assets | 13,690 | 11,079 |
| Finance cost | 1,786,429 | 2,968,244 |
| Provision for staff retirement benefits | 46,569 | 49,403 |
| Exchange loss on revaluation of foreign currency liabilities | 71,162 | - |
| Profit on short term loan to associated companies | (257,707) | (275,585) |
| Profit on saving accounts | (31,375) | (8,297) |
| Gain on disposal of property plant and equipment | (78) | (94) |
| | 2,848,435 | 3,921,797 |
| Operating cash flows before working capital changes | 12,013,006 | 13,815,027 |
| Effect on cash flow due to working capital changes: | | |
| (Increase)/decrease in current assets: | | |
| Stores and spares | (1,596,069) | (9,983) |
| Stock in trade | (3,675,221) | (280,320) |
| Trade debts | 203,966 | (297,220) |
| Loans, advances, deposits, prepayments and other receivables | (1,230,035) | 344,845 |
| Decrease in creditors, accrued and other liabilities | (113,598) | (1,485,922) |
| | (6,183,761) | (1,728,600) |
| | 5,829,245 | 12,086,427 |

21. Financial instruments:

The carrying amount of financial assets and financial liabilities as at September 30, 2015 and as at December 31, 2014 approximates their fair values.

22. Date of Authorization of Issue

These financial statements have been authorized for issue on October 30, 2015 by the Board of Directors of the Company.

23. General

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



Chief Executive



Director

Condensed Interim Consolidated Financial Statements
Fatima Fertilizer Company Limited
For the nine months ended September 30, 2015

Condensed Interim Consolidated Balance Sheet

As at September 30, 2015

| | Note | Un audited September 30, 2015 | Audited December 31, 2014 |
|---|------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | | |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES | | | |
| Authorized share capital 2,500,000,000 (December 31, 2014: 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, 2014: 2,100,000,000) ordinary shares of Rs 10 each | | 21,000,000 | 21,000,000 |
| Share premium | | 1,790,000 | 1,790,000 |
| Post retirement benefit obligation reserve | | (23,311) | (23,311) |
| Unappropriated profit | | 28,957,825 | 13,990,335 |
| | | 51,724,514 | 36,757,024 |
| NON CURRENT LIABILITIES | | | |
| Long term finances | 4 | 19,420,984 | 17,335,003 |
| Deferred liabilities | 5 | 15,004,608 | 14,421,189 |
| | | 34,425,592 | 31,756,192 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 9,751,270 | 7,373,905 |
| Accrued finance cost | | 685,887 | 258,931 |
| Short term finances - secured | | 7,924,769 | 599,575 |
| Current maturity of long term finance | | 6,816,076 | 6,375,336 |
| | | 25,178,002 | 14,607,747 |
| CONTINGENCIES & COMMITMENTS | 6 | | |
| | | 111,328,108 | 83,120,963 |

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



Chief Executive

| | Note | Un audited September 30, 2015 | Audited December 31, 2014 |
|---|------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | | |
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 85,102,873 | 68,823,170 |
| Intangible assets | 8 | 5,933,130 | 30,083 |
| | | 91,036,003 | 68,853,253 |
| Long term investments | | 85,806 | 85,806 |
| Long term advances and deposits | | 17,575 | 13,280 |
| | | 91,139,384 | 68,952,339 |
| CURRENT ASSETS | | | |
| Stores and spares | 9 | 6,384,428 | 4,090,265 |
| Stock in trade | 10 | 6,844,131 | 2,681,206 |
| Trade debts | | 244,745 | 448,314 |
| Short term loan to associated companies | | 2,800,000 | 3,000,000 |
| Loans, advances, deposits, prepayments and other receivables | | 3,733,577 | 3,000,032 |
| Cash and bank balances | | 181,843 | 948,807 |
| | | 20,188,724 | 14,168,624 |
| | | 111,328,108 | 83,120,963 |


 Director

Condensed Interim Consolidated Profit and Loss Account (Un Audited)

For the nine months ended September 30, 2015

| | Note | Three months ended | | Nine months ended | |
|------------------------------|------|--------------------|--------------------|--------------------|--------------------|
| | | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| (Rupees in thousand) | | | | | |
| Sales | 11 | 3,220,293 | 10,253,940 | 22,020,199 | 25,860,373 |
| Cost of sales | 12 | (1,380,876) | (3,606,513) | (8,771,050) | (10,450,829) |
| Gross profit | | 1,839,417 | 6,647,427 | 13,249,149 | 15,409,544 |
| Distribution cost | | (162,345) | (401,163) | (875,057) | (1,029,457) |
| Administrative expenses | | (408,829) | (403,193) | (1,293,757) | (1,060,267) |
| | | 1,268,243 | 5,843,071 | 11,080,335 | 13,319,820 |
| Finance cost | 13 | (621,181) | (939,919) | (1,891,191) | (2,968,244) |
| Other operating expenses | | (114,783) | (331,307) | (743,103) | (745,561) |
| | | 532,279 | 4,571,845 | 8,446,041 | 9,606,015 |
| Other income | 14 | 13,679,448 | 96,994 | 14,036,417 | 287,215 |
| Profit before tax | | 14,211,727 | 4,668,839 | 22,482,458 | 9,893,230 |
| Taxation | | | | | |
| Current | | (140,454) | – | (1,459,222) | – |
| Deferred | | | | | |
| -For the period | | (156,755) | (1,633,541) | (1,494,104) | (3,458,046) |
| -Prior year | | – | – | 1,213,358 | – |
| | | (156,755) | (1,633,541) | (280,746) | (3,458,046) |
| | | (297,209) | (1,633,541) | (1,739,968) | (3,458,046) |
| Profit for the period | | 13,914,518 | 3,035,298 | 20,742,490 | 6,435,184 |
| Earnings per share | | | | | |
| - basic and diluted (Rupees) | 16 | 6.63 | 1.45 | 9.88 | 3.06 |

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



Chief Executive



Director

Condensed Interim Consolidated Statement of Comprehensive Income (Un Audited)

For the nine months ended September 30, 2015

| | Three months ended | | Nine months ended | |
|--|----------------------|--------------------|--------------------|--------------------|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| | (Rupees in thousand) | | | |
| Profit for the period | 13,914,518 | 3,035,298 | 20,742,490 | 6,435,184 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | 13,914,518 | 3,035,298 | 20,742,490 | 6,435,184 |

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



Chief Executive



Director

Condensed Interim Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2015

| | Ordinary share capital | Share premium | Post retirement benefit obligation reserve | Un appropriated profit | Total |
|--|------------------------------|------------------|--|---------------------------|-------------|
| (Rupees in thousand) | | | | | |
| Balance as at December 31, 2013 (Audited) | 21,000,000 | 1,790,000 | (13,581) | 9,982,539 | 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 | - | - | - | 6,435,184 | 6,435,184 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 6,435,184 | 6,435,184 |
| Balance as at September 30, 2014 (Un audited) | 21,000,000 | 1,790,000 | (13,581) | 11,167,723 | 33,944,142 |
| Balance as at December 31, 2014 (Audited) | 21,000,000 | 1,790,000 | (23,311) | 13,990,335 | 36,757,024 |
| Final dividend for the year ended December 31, 2014 @ Rs 2.75 per share | - | - | - | (5,775,000) | (5,775,000) |
| Profit for the period | - | - | - | 20,742,490 | 20,742,490 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 20,742,490 | 20,742,490 |
| Balance as at September 30, 2015 (Un audited) | 21,000,000 | 1,790,000 | (23,311) | 28,957,825 | 51,724,514 |

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



Chief Executive



Director

Consolidated Condensed Interim Cash Flow Statement (Un Audited)

For the nine months ended September 30, 2015

| | Note | September 30, 2015 | September 30, 2014 |
|---|------|-----------------------|-----------------------|
| (Rupees in thousand) | | | |
| Cash flows from operating activities | | | |
| Cash generated from operations | 17 | 5,765,453 | 12,086,427 |
| Finance cost paid | | (1,562,371) | (2,240,685) |
| Taxes paid | | (534,915) | (261,413) |
| Employee retirement benefits paid | | (20,350) | (10,609) |
| Net cash from operating activities | | 3,647,817 | 9,573,720 |
| Cash flows from investing activities | | | |
| Additions in property, plant and equipment | | (2,933,629) | (2,424,107) |
| Additions in intangible assets | | (14,669) | (2,210) |
| Long term investment | | (800,000) | (616) |
| Short term loan to associated companies | | 56,609 | - |
| Proceeds from disposal of property plant and equipment | | 251 | 349 |
| Net increase in long term loans and deposits | | (4,295) | (4,308) |
| Profit received on short term loan and saving accounts | | 407,890 | 348,117 |
| Net cash used in investing activities | | (3,287,843) | (2,082,775) |
| Cash flows from financing activities | | | |
| Repayment of long term finance | | (7,695,074) | (2,787,614) |
| Proceeds from long term finance | | 5,584,598 | - |
| Dividend paid | | (5,768,875) | (3,074,578) |
| Increase / (decrease) in short term finance - net | | 6,749,470 | (756,105) |
| Net cash used in financing activities | | (1,129,881) | (6,618,297) |
| Net (decrease) / increase in cash and cash equivalents | | (769,907) | 872,648 |
| Cash and cash equivalents at the beginning of the period | | 951,750 | 238,294 |
| Cash and cash equivalents at the end of the period | | 181,843 | 1,110,942 |

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



Chief Executive



Director

Notes to and Forming Part of the Condensed Interim Consolidated Financial Information (Un audited)

For the nine months ended September 30, 2015

1. Legal Status and nature of business

Fatima Fertilizer Company Limited ('the Parent Company'), and its wholly owned subsidiaries - DH Fertilizer Limited ('DHFL') and Buber Sher (Pvt) Limited ('BSPL'), collectively referred to as 'the Group' were incorporated in Pakistan under the Companies Ordinance, 1984. The Parent Company is listed on Karachi, Lahore and Islamabad Stock Exchanges. The control of DHFL and BSPL was transferred to the Parent Company on July 01, 2015.

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

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

2. Basis of preparation

- 2.1 This condensed interim financial information of the Group for the nine months ended September 30, 2015 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, 2014.
- 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 these condensed interim consolidated financial statements are the same as those applied in the preparation of annual financial statements of the Company for the year ended December 31, 2014.

| | Note | Un audited September 30, 2015 | Audited December 31, 2014 |
|---|------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | | |
| 4. Long term finance | | | |
| Secured loans from banking companies / financial institutions | 4.1 | 26,237,060 | 23,710,339 |
| Less: Current portion shown under current liabilities | | 6,816,076 | 6,375,336 |
| | | 19,420,984 | 17,335,003 |
| 4.1 Movement of long term finances - from banking companies / financial institutions | | | |
| Opening balance | | 28,317,839 | 28,585,528 |
| Finance availed during the period | | 5,614,295 | 1,000,000 |
| | | 33,932,134 | 29,585,528 |
| Less: repayments during the period | | 7,695,074 | 5,875,189 |
| | | 26,237,060 | 23,710,339 |
| 5. Deferred liabilities | | | |
| Deferred taxation | 5.1 | 14,625,917 | 14,155,843 |
| Employee retirement benefits | 5.2 | 378,691 | 265,346 |
| | | 15,004,608 | 14,421,189 |

Notes to and Forming Part of the Condensed Interim Consolidated Financial Information (Un audited)
For the nine months ended September 30, 2015

| | Un audited September 30, 2015 | Audited December 31, 2014 |
|--|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | |
| 5.1 Deferred taxation | | |
| This is composed of the following: | | |
| Taxable temporary difference: | | |
| Accelerated tax depreciation | 14,689,299 | 15,341,978 |
| Deductible temporary difference: | | |
| Carry forward tax depreciation losses | – | (1,145,633) |
| Provision for retirement benefits and others | (51,905) | (27,949) |
| Remeasurement of defined benefit obligation | (11,477) | (12,553) |
| | (63,382) | (1,186,135) |
| | 14,625,917 | 14,155,843 |
| 5.2 Employee retirement benefits | | |
| Gratuity | 241,733 | 185,493 |
| Accumulating compensated absences | 136,958 | 79,853 |
| | 378,691 | 265,346 |

6. Contingencies and commitments

6.1 Contingencies

As at September 30, 2015, there is no material change in the status of contingencies as reported in the notes to the financial statements of the Company for the year ended December 31, 2014, except in the following:

- (i) The Company has issued a corporate guarantee to a syndicate of financial institutions through Meezan Bank Limited, acting as an investment agent, to guarantee payment of any amount due under or in connection with the Diminishing Musharaka Finance Facility (the facility) of Rs 4,466 million availed by DH Fertilizers Limited (a wholly owned subsidiary), up to a maximum amount of Rs 5,954.667 million.

The corporate guarantee will remain in force until receipt of notice from the investment agent that amounts payable under the facility have been paid and guarantee stands discharged.

(ii) Out of the five case in which The Company had preferred appeals in Custom Appellate Tribunal, Lahore, following three have been remanded back to concerned collectorate for re-hearing the case:

- Collector of Customs (Adjudication), Lahore, for irregular claim of exemptions under SRO 575 on import of 64 consignments of various items of capital nature. Demand raised Rs 495.900 million.
- Collector of Customs (Adjudication), Faisalabad, for irregular claim of exemption under SRO 575 on import of 20 consignments of seamless pipes. Demand raised Rs 113.957 million.
- Collector of Customs (Adjudication), Faisalabad, for irregular claim of exemptions under SRO 575 on import of 7 consignments of deformed steel bars. Demand raised Rs 150.604 million.

(iii) The Company has preferred appeals in Appellate Tribunal Inland Revenue, Lahore, against the following orders passed by:

- Deputy Commissioner Inland Revenue, Multan alleging that the Company has short paid sales tax by suppression of production. Total demand raised is Rs 628 million. Earlier appeal filed with Commissioner Inland Revenue (Appeals), Multan did not succeed.
- Additional Commissioner Inland Revenue, Multan, alleging that the Company has not paid Sales tax on retail price on supplies of CAN & NP. Total demand raised is Rs 88.5 million. Earlier appeal filed with Commissioner Inland Revenue (Appeals), Multan did not succeed.

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.

6.2 Commitments in respect of

- (i) Contracts for capital expenditure Rs 1,188.276 million (December 31, 2014: Rs 2,738.060 million).
- (ii) Contracts for other than capital expenditure Rs 231.202 million (December 31, 2014: Rs 291.278 million).

Notes to and Forming Part of the Condensed Interim Consolidated Financial Information (Un audited)
For the nine months ended September 30, 2015

(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, 2015 | Audited December 31, 2014 |
|---|------|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | | |
| Not later than one year | | 128,819 | 144,379 |
| Later than one year but not later than five years | | 127,388 | 134,932 |
| | | 256,207 | 279,311 |
| 7. Property, plant and equipment | | | |
| Operating fixed assets- tangible | 7.1 | 79,379,922 | 65,945,226 |
| Capital work in progress | 7.2 | 5,722,951 | 2,877,944 |
| | | 85,102,873 | 68,823,170 |
| 7.1 Movement of operating fixed assets- tangible | | | |
| Opening book value | | 67,347,215 | 65,695,395 |
| Add: additions during the period | | 544,238 | 1,826,596 |
| Add: revaluation surplus | | 12,781,126 | |
| Less: book value of disposals during the period | | 141 | 255 |
| | | 80,672,438 | 67,521,736 |
| Less: depreciation charged during the period | | 1,292,516 | 1,576,510 |
| Closing book value | | 79,379,922 | 65,945,226 |
| 7.2 Capital work in progress | | | |
| Civil works | | 532,376 | 408,165 |
| Plant and machinery | | 4,349,769 | 1,398,503 |
| Advances | | | |
| Freehold land | | 165,864 | 1,711 |
| Civil works | | 15,828 | 8,772 |
| Plant and machinery | | 359,114 | 760,793 |
| Other advances | | 300,000 | 300,000 |
| | | 840,806 | 1,071,276 |
| | | 5,722,951 | 2,877,944 |

| | Un audited September 30, 2015 | Audited December 31, 2014 |
|---|-------------------------------------|---------------------------------|
| (Rupees in thousand) | | |
| 8. Intangible assets | | |
| Opening book value | 5,932,461 | 42,726 |
| Add: additions during the period | 14,669 | 2,210 |
| | 5,947,130 | 44,936 |
| Less: amortization charged during the period | 14,000 | 14,853 |
| Closing book value | 5,933,130 | 30,083 |
| 9. Stores and spares | | |
| Stores | 530,434 | 219,231 |
| Spares | 5,067,405 | 2,979,853 |
| Catalyst and chemicals | 908,208 | 891,181 |
| | 6,506,047 | 4,090,265 |
| Less: Provision for slow moving items | 121,619 | - |
| | 6,384,428 | 4,090,265 |
| 10. Stock in trade | | |
| Raw material {including in-transit Rs 1,180.6 million (December 31, 2014: Rs 1,203.2 million)} | 2,096,751 | 2,311,637 |
| Packing material | 3,973 | 464 |
| Mid Products | | |
| Ammonia | 77,498 | 20,279 |
| Nitric Acid | 13,339 | 3,161 |
| Others | 467 | 345 |
| | 91,304 | 23,785 |
| Finished goods | | |
| Urea | 1,436,045 | 15,509 |
| NP | 2,687,484 | 179,668 |
| CAN | 488,892 | 144,668 |
| Emission reductions | 39,682 | 5,475 |
| | 4,652,103 | 345,320 |
| | 6,844,131 | 2,681,206 |

Notes to and Forming Part of the Condensed Interim Consolidated Financial Information (Un audited)

For the nine months ended September 30, 2015

11. Sales

Sales are exclusive of sales tax and trade allowances of Rs 3,915.506 million and Rs 139.295 million respectively.

| | Three months ended | | Nine months ended | |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| (Rupees in thousand) | | | | |
| 12. Cost of sales | | | | |
| Raw material consumed | 2,056,378 | 1,549,448 | 5,608,321 | 4,290,678 |
| Packing material consumed | 145,732 | 231,658 | 538,646 | 595,672 |
| Salaries, wages and other benefits | 466,742 | 290,457 | 1,290,805 | 982,937 |
| Fuel and power | 1,040,903 | 613,004 | 2,871,629 | 1,980,013 |
| Chemicals and catalyst consumed | 106,439 | 124,283 | 337,890 | 319,148 |
| Stores and spares consumed | 247,639 | 149,916 | 614,863 | 787,173 |
| Technical assistance | 39,204 | 13,708 | 69,567 | 36,812 |
| Repair and maintenance | 56,888 | 33,566 | 125,079 | 163,162 |
| Insurance | 117,537 | 103,029 | 251,442 | 305,833 |
| Travelling and conveyance | 33,515 | 9,943 | 85,500 | 31,772 |
| Equipment rental | 15,303 | 1,021 | 22,464 | 34,103 |
| Vehicle running and maintenance | 5,828 | 7,053 | 19,346 | 21,719 |
| Depreciation | 450,951 | 373,718 | 1,206,866 | 1,111,494 |
| Others | 5,117 | 474 | 28,951 | 31,865 |
| Manufacturing cost | 4,788,176 | 3,501,278 | 13,071,369 | 10,692,381 |
| Opening stock of mid products | 109,191 | 29,508 | 97,768 | 26,228 |
| Closing stock of mid products | (91,304) | (31,077) | (91,304) | (31,077) |
| Cost of goods manufactured | 4,806,063 | 3,499,709 | 13,077,833 | 10,687,532 |
| Opening stock of finished goods | 1,226,916 | 517,652 | 345,320 | 174,145 |
| Closing stock of finished goods | (4,652,103) | (410,848) | (4,652,103) | (410,848) |
| | 1,380,876 | 3,606,513 | 8,771,050 | 10,450,829 |
| 13. Finance cost | | | | |
| Markup on long term finances | 510,870 | 774,133 | 1,720,665 | 2,386,210 |
| Markup on short term finances | 97,740 | 89,877 | 136,626 | 326,173 |
| Interest on WPPF | – | – | – | 50,229 |
| Bank charges and others | 12,571 | 75,909 | 33,900 | 205,632 |
| | 621,181 | 939,919 | 1,891,191 | 2,968,244 |

14. Other Income

Other income includes 'Bargain Purchase Gain' of Rs. 13.5 billion.

This amount represents Fair Valuation Gain booked in consolidated accounts on acquisition of subsidiaries.

15. Transactions with related parties

The related parties comprise the associated undertakings, directors and other key management personnel of the Group. The Group 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 Group | Nature of transaction | Nine months ended | |
|--|---|----------------------|--------------------|
| | | September 30, 2015 | September 30, 2014 |
| | | (Rupees in thousand) | |
| Associated companies | Short term loan | 500,000 | – |
| | Toll manufacturing | 770,845 | 605,407 |
| | Miscellaneous expenses | 7,507 | 130,208 |
| | Sale of product | 14,541 | – |
| | Purchase of packing material | 566,277 | 821,400 |
| | Other income | 257,707 | 275,585 |
| | Stores and spares | – | 4,846 |
| Directors and key management personnel | Remuneration including benefits and perquisites | 139,466 | 132,570 |
| Retirement benefit plans | Retirement benefit expense | 77,931 | 76,298 |

| | Three months ended | | Nine months ended | |
|--|----------------------|--------------------|--------------------|--------------------|
| | September 30, 2015 | September 30, 2014 | September 30, 2015 | September 30, 2014 |
| | (Rupees in thousand) | | | |
| 16. Earnings per share - basic and diluted | | | | |
| Profit attributable to ordinary shareholders | 13,914,518 | 3,035,298 | 20,742,490 | 6,435,184 |
| | (Number of shares) | | | |
| Weighted average number of shares | 2,100,000,000 | 2,100,000,000 | 2,100,000,000 | 2,100,000,000 |
| Basic and diluted earnings per share (Rupees) | 6.63 | 1.45 | 9.88 | 3.06 |

Notes to and Forming Part of the Condensed Interim Consolidated Financial Information (Un audited)
For the nine months ended September 30, 2015

| | Nine months ended | |
|--|-----------------------|-----------------------|
| | September 30, 2015 | September 30, 2014 |
| (Rupees in thousand) | | |
| 17. Cash generated from operations | | |
| Profit before tax | 22,482,458 | 9,893,230 |
| Adjustments for : | | |
| Depreciation on property, plant and equipment | 1,292,516 | 1,177,047 |
| Amortization of intangible assets | 14,000 | 11,079 |
| Finance cost | 1,891,191 | 2,968,244 |
| Provision for staff retirement benefits | 49,652 | 49,403 |
| Exchange loss on revaluation of foreign currency liabilities | 71,162 | - |
| Bargain purchase gain | (13,551,777) | - |
| Profit on short term loan to associated company | (257,707) | (275,585) |
| Profit on saving accounts | (31,391) | -8,297 |
| Gain on disposal of property plant and equipment | (110) | (94) |
| | (10,522,464) | 3,921,797 |
| Operating cash flows before working capital changes | 11,959,994 | 13,815,027 |
| Effect on cash flow due to working capital changes: | | |
| (Increase)/decrease in current assets: | | |
| Stores and spares | (1,581,704) | (9,983) |
| Stock in trade | (4,087,025) | (280,320) |
| Trade debts | 203,746 | (297,220) |
| Loans, advances, deposits, prepayments and other receivables | (1,175,311) | 344,845 |
| Increase / (decrease)in creditors, accrued and other liabilities | 445,753 | (1,485,922) |
| | (6,194,541) | (1,728,600) |
| | 5,765,453 | 12,086,427 |

18. Date of Authorization of Issue

These financial statements have been authorized for issue on October 30, 2015 by the Board of Directors of the Company.

19. General

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



Chief Executive



Director



Fatima Fertilizer Company Limited
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